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Home centers tapping into high-traffic locales

PRICE CLUB
COMING SOON
national lumber

National Lumber's 67,000-sq.-ft. store opened in Fullerton, Calif., last month, next to a Price Club, the highly successful membership warehouse chain. NHCN photo

National Lumber, HomeClub piggyback at membership warehouse club sites

By Brad Altman
NHCN associate editor

FULLERTON, Calif. — Some DIY dealers wonder if National Lumber is going to have problems with its newest location, which opened late last month on busy Harbor Boulevard in this densely populated Orange County city.

The store is directly across the street from HomeClub's corporate offices and flagship store, and barely three miles south of a Home Depot now being readied for its grand opening later this month.

Ole's, Handyman and Builders Emporium also are represented in Fullerton.

But National Lumber's president, Mel Jaffee, seems confident that his 16th store will be a winner. He says some of his confidence stems from the very thing that might worry another retailer—the location.

National Lumber's 67,000-sq.-ft. store—the largest unit in the chain to date—is next to a Price Club outlet, the highly successful membership warehouse chain which sells general merchandise, food and liquor.

Industry observers said the joint use of a common parking lot by two warehouse-style businesses is likely to occur with increasing frequency.

Such a trend toward home centers "piggybacking" with warehouse-style general merchandise retailers has potentially enormous implications for the DIY industry.

With retail sites at a premium, especially in urban markets, creative approaches to real estate selection are increasingly being sought by store planners (*NHCN*, July 1).

On the West Coast, Home-

(Continued on page 73)

Homecrafters shifts strategy to lift earnings

New cfo will no longer sell off older stores

By Phillip M. Perry
NHCN senior editor

BIRMINGHAM, Ala. — Homecrafters Warehouse has hired a new cfo and is adding a new layer of operations management in an attempt to stem a continuing tide of earnings losses.

The company also said it was bringing to a halt its previous policy of raising cash to build new warehouse outlets by selling older stores.

"We are still working our way through our problems," said Georges A. Hanzi, president of the $156 million chain of 38 home center stores, in speaking of the changes. "We are taking steps now to get more out of our stores. And, when you look at all of the pieces of the problems we have, not having a cfo is one of the reasons for them." Hanzi added that the new cfo will also be expected to upgrade the company's presentations to Wall Street.

"I have been disappointed with the earnings picture, as has everyone else here," acknowledged Stephen L. Wiley, who had previously been responsible for the financial operations of the company. As of the end of June, Wiley was remaining with the company in his capacity as executive vp.

Richard Shepperd, a turnaround specialist, has been named the new cfo. Previously, Shepperd was controller for the $800 million tire division of the Uniroyal Corporation.

Charles Neil, formerly manager of the Homecrafters Warehouse in St. Matthews, Ky., was named to the newly created position of district manager for the company's warehouse operations last month. The company said it expected to name a person for a similar posi-

(Continued on page 73)

NEWSBREAKS

EVANS CONSULTS CHANIN. Jeff Chanin, a member of the teams that brought Daylin and Wickes Cos. through Chapter 11, will now do turnaround consulting for Evans Products.

WESTLAKE TO ARKANSAS. Westlake Hardware Supply, a $60 million chain based in Moberly, Mo., was scheduled to move into Arkansas for the first time this month, with its 29th store.

INSIDE:

Einfeld's short tenure at O'Malleys —Page 2

Knox Lumber sale postponed as investors seek additional funds —Page 3

Hechinger puts 1.5M shares on block to raise expansion cash —Page 3

Existing home sales take breather in May —Page 10

NEWS ANALYSIS

Tax plan may spell havoc for forest products firms

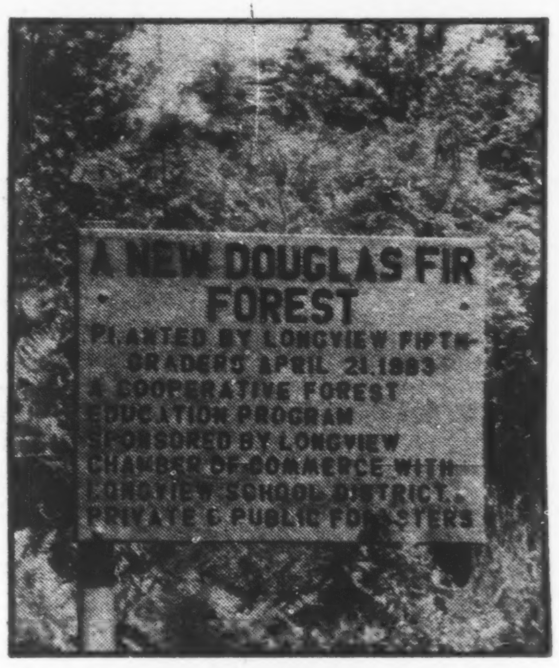
By Milford Prewitt
NHCN Associated Editor

NATIONAL REPORT — The Reagan tax plan "will set the clock back 40 years" in the forest products industry, reviving an era of "cut-and-run" forestation and wreaking financial ruin for both large and small lumbermills, industry observers and executives predict.

The consensus of many people affiliated with timber growers and forest products is that the industry could not survive the ravages of the President's tax proposals if it removes some special tax breaks lumbermen have counted on since World War II.

By repealing investment tax credits, eliminating capital gains treatment on timber and discontinuing deductions for certain capitalization expenses, as the Administration's plan advocates, timber growers would face financial chaos on several fronts, some believe.

(Continued on page 16)


A NEW DOUGLAS FIR FOREST
PLANTED BY LONGVIEW FIFTH-GRADERS APRIL 21,1983
A COOPERATIVE FOREST EDUCATION PROGRAM
SPONSORED BY LONGVIEW CHAMBER OF COMMERCE WITH LONGVIEW SCHOOL DISTRICT, PRIVATE & PUBLIC FORESTERS

Efforts to replenish forests, like this second-growth Douglas fir stand near Longview, Wash., could be jeopardized by Reagan's tax reform plan. NHCN photo

Home centers come of age in annual NHCN *survey*

NATIONAL REPORT — Home centers have muscled their way into the forefront of consumer consciousness, according to a new study profiling seven of the nation's most competitive retailing markets.

While as little as 10 years ago, consumers expressed confusion about just what a home center was, today home centers have become the dominant choice for home improvement purchases.

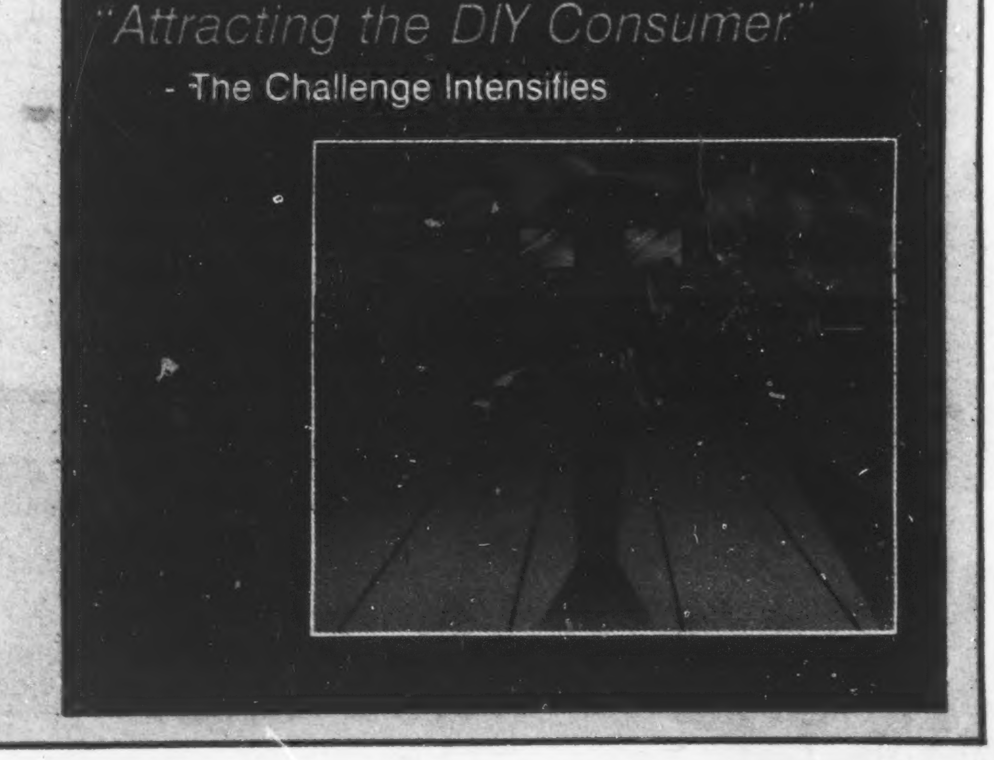
Still, home centers are not completely satisfying their customers. Competitors like Sears, hardware stores and discounters are thriving by being strong where home centers are viewed as deficient: in providing credit, service and everyday low prices.

In fact, few consumers see their favorite home improvement outlet, regardless of the type of store it is, as "the best in town." The favorite supplier is usually seen as a compromise.

These findings are part of *National Home Center News'* seventh annual consumer attitude study, which was conducted by Leo J. Shapiro & Assoc., Chicago. The report, which begins on page 19, examines home improvement activity in seven hot markets: Houston, Phoenix, Columbus, San Bernardino, Long Island, Virginia Beach and Chicago.

The report also found that:

- While home centers attract the majority of home improvement shoppers, 4 out of 10 households prefer to shop at stores other than home centers for their home improvement needs.
- Because people do not feel connected to the "best" store in town, they are alert to alternative stores in the market. The mean amount of time spent looking at home improvement ads during a week was 7 min.; 1 in 5 respondents spend at least 15 min.
- Regardless of where customers shop, their first alternate choice when they can't shop their preferred store is usually a home center.
- Even a store seen as "best in town" is vulnerable. Customers quickly recognize specific shortcomings.


"Attracting the DIY Consumer"
- The Challenge Intensifies

NHCNews Briefs

Industry Update

Solomon buys 1M Wickes pref.

SANTA MONICA, Calif. — Solomon Asset Management, a New York investment adviser, reported to the SEC that it had purchased 15.31% of the outstanding shares of $2.50 preferred stock issued earlier this year by Wickes. Solomon now holds 1,072,000 shares in that category of stock, which was issued by Wickes in part to help fund the acquisition of certain subsidiaries of Gulf + Western. (*NHCN*, July 1).

Reliance Financial Services, New York, a unit of Saul Steinberg's Reliance Group, reported June 18 that it had sold all of its Wickes $2.50 preferred stock for $15,417,082. Reliance still holds 3.5% of Wickes' common stock.

Texas blue law repealed

HOUSTON — Beginning Sept. 1, all Texas retailers, except car dealerships, may legally conduct business every day of the week.

The 125-year-old blue law barring the sale of certain merchandise on a seven-day schedule, was repealed by both Houses of the state legislature in May and signed into law by Texas Gov. Mark White on May 31.

However, the legal battle waged by the Merchants Assn. of Houston Inc. two years ago against Handy Dan for blue laws violations, is continuing.

"Unless and until they overrule us, Handy Dan will still seek a judgment [against the law] through the courts," declared Handy Dan attorney Linda Addison, partner with the Houston firm of Fulbright & Jaworski, but, she added, "After Sept. 1, our case is moot."

Depot undaunted by Calif. fire

FULLERTON, Calif. — Home Depot remains on schedule to debut on July 17 its first two California stores—in Fullerton and Huntington Beach—despite a major chemical fire that forced employees to evacuate the West Coast regional headquarters in Fullerton for two days. The June 22 pesticides warehouse fire in nearby Anaheim threatened to send toxic fumes over five square miles of Orange County, forcing some 10,000 people to flee the densely populated area.

BE plans Homeowners reopening

LOS ANGELES — Less than two months after buying four-unit Homeowners Do-It-Yourself Centers, the now 68-unit Builders Emporium chain planned to kick off a grand reopening promotion on July 16 to signal its new ownership of the ex-Homeowners outlets in west Los Angeles, Montebello, Gardena and Torrance, Calif.

Handyman traded on AMEX

SAN DIEGO — Handyman, a chain of 55 home centers, began trading on the American Stock Exchange June 18. Edison Brothers had voted to spin off the subsidiary the previous day.

Opening at 28 and closing at 28⅜, the stock moved 4,100 shares the first day. One week later, the stock closed at 29⅜ on a volume of 1,300.

The volume of the stock was expected to increase after July 1, when Handyman stock certificates were scheduled for distribution, and when Edison Brothers shares were scheduled to drop in price as a result of the spin-off of Handyman (*NHCN*, May 20). William Silver, the Handyman stock specialist and a partner in Weiskopf-Silver, New York, noted that institutions were hesitant to sell stock until they had certificates in hand. In addition, the scheduled drop in Edison stock price, Silver felt, would signal the importance of the Handyman stock to the market.

Chase-Pitkin opens 12th unit

ROCHESTER, N.Y. — Chase-Pitkin opened its 12th retail outlet on June 27 in Canandaigua, N.Y., 30 miles southeast of Rochester. It has expanded hours.

The new facility is a 60,000-sq.-ft. unit that includes a 45,000-sq.-ft. store and a 15,000 sq.-ft. protected outdoor selling area used primarily for building materials and lawn and garden items.

The company's newest store features a separate contractor sales office and more building materials.

The Canandaigua store is open 89.5 hours per week, five hours longer than Chase-Pitkin's other stores. It opens at 7:30 a.m. on weekdays rather than at 8:30 a.m. to better serve the contractor customer.

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Vol. 11, No. 15

July 15, 1985

Einfeld does an about-face at O'Malleys

PHOENIX — Three months after joining O'Malleys as a consultant and only days after being appointed its director of consumer marketing, Nick Einfeld resigned from the company here on June 3 to the surprise of company executives and employees.

This is the second time Einfeld, the former Handy Dan and Anfel's executive, has made a fast exit from a Phoenix home center chain. Before Home Depot entered Phoenix in November 1983, it hired Einfeld as a consultant and eventually as division manager. However, his tenure with the chain lasted only around eight months.

"Nick told us that he did not believe his particular talents were best suited for our operation, and that he was more used to discount-type retail stores," said Dean Drake, the chain's executive vp. "I only wish he would have told us this before we put him in the new job."

On March 1, Einfeld, who did not return several phone calls made to his home here, was brought on at O'Malleys to help the chain expand its retail operations, which in 1984 contributed 40% of its sales.

He was to be "in complete charge of all retail operations" in his new post, said Drake, including "merchandising, ad department, product and vendors." (*NHCN*, July 1)

According to one company source, Einfeld had been given a 120-day "grace period," during which "he would find out if he could live with us, and vice versa."

Ninety days later, Einfeld informed Drake that he wanted to make things more permanent. The company was so eager to bring him on board that it allowed Einfeld to write his own job description, said Drake, after which the consumer marketing director position was officially drawn up, and his appointment was announced to

(Continued on page 74)

Labor dispute heats up at Neiman-Reed

VENTURA, Calif. — A strike by employees of a Neiman-Reed's Lumber City store here has prompted company officials to file a lawsuit seeking $1 million in punitive damages from the United Food and Commercial Workers Union for creating "an atmosphere of violence or potential violence."

Lumber City personnel director Bob Howard said that since nearly 30 employees walked off their jobs May 5, "we have received bomb threats at all stores and [anonymous telephone] threats against company executives.

"We never said the union is responsible for it," Howard continued, adding that the Van Nuys, Calif.-based chain also has received "complaints from customers about harassment and verbal abusement" by picketers.

Lee Berns, president of the UFCWU Local 899, whose members are striking Lumber City, disputed the company's claims, saying, "strikes disrupt business, but there's been no violence. There isn't a window scratched in a store. There are no flat tires, broken windows or bodily injury—where's the violence?"

Berns said security guards hired by Lumber City have harassed his picketers.

"Our strike will continue and it will expand," he added.

At presstime in late June, the UFCWU said it would be willing to go back to the bargaining table. Berns said "we are willing to submit the unresolved issues to third-party binding arbitration, to allow a neutral person to make fair and equitable decisions about the noneconomic clauses of the contract. We are not willing to arbitrarily surrender."

Howard said Lumber City was willing to "schedule a meeting with them and a federal mediator" to discuss a possible break in the impasse.

(Continued on page 74)

Grace Report sparks Handy Dan picket

WASHINGTON — Hundreds of Federal employees picketed W. R. Grace-owned businesses in 10 cities, including a Handy Dan in Austin, Tex., to protest Grace Commission Report recommendations to cut their pay and benefits.

George King of the National Treasury Employees union (NTEu), described the "Day of Grace"—June 24—as being "very successful" and added that it was highlighted by a meeting between union officials and Grace executives at 1 Grace Plaza in New York.

The Handy Dan store at Interstate 35 and Ben White Boulevard is 1 of 3 Handy Dans in Austin, and apparently was chosen as a demonstration site because of its location, directly across the street from a regional IRS facility, according to a store employee.

"There were about 15 picketers walking around in circles for a couple of hours," the employee continued. "Most of our customers just laughed."

John Gish, project director of the President's Private Sector Survey on Cost Control, said the NTEu "is guilty of making totally misinformed allegations about the commission's findings."

The Federal workers say that they receive less in both pay and benefits than their private-sector counterparts, and that Grace chairman J. Peter Grace "demeaned the entire Federal workforce by proposing cuts to Federal pay and benefits" in the 1983 survey, which was presented to President Reagan in January 1984.

In response to the union criti-

(Continued on page 74)

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- Bar code vendors to showcase automatic identification systems —Page 42

FINANCIAL NEWS

32 Gainers

2 Unchanged

22 Losers

Price-percentage gainers held the upper hand over losers, 32-22, on *NHCN*'s Industry Market Summary for the two weeks ended June 28, 1985. Two stocks were unchanged in the period, which saw the *NHCN* Retail Stock Index lose ground relative to Standard & Poor's 500 Index.

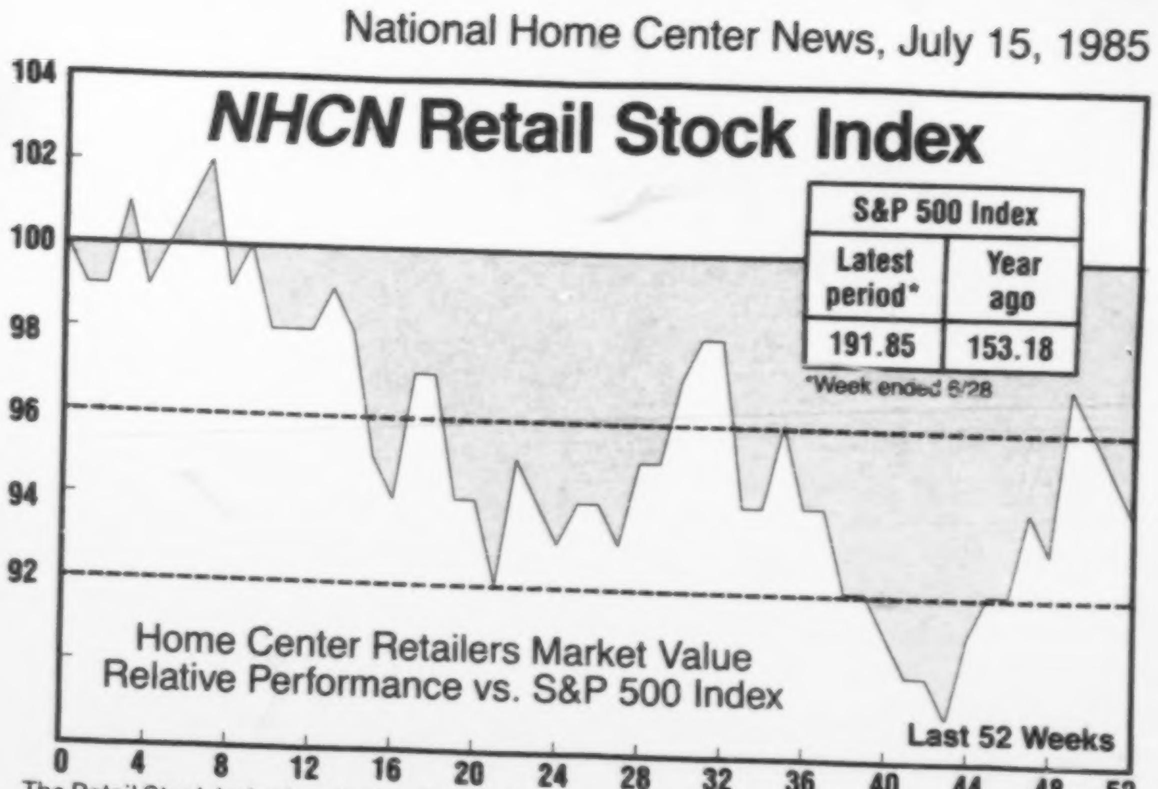
Several home center retail issues continued their downward price slide. Home Depot, which closed down 10.5% for the previous two-week period ended June 14, declined another 10.2% to close June 28 at $13.25, on a two-week volume of 13.5 million shares.

Hechinger Class A common was down 7.1% to $18.75 on nearly 11 million shares traded. The company had split the stock 5-for-4 on June 17, to lower the price from its previous selling level of $28 to a figure more attractive to investors. Hechinger then sold 1.5 million new shares on June 21 to raise $27.8 million to fund chain expansion (*story, page 3*).

Diamond Lumber's parent, Michigan General, was the period's biggest loser, plummeting 17.8% to $4.63 on a two-week volume of 2.3 million shares.

Troubled Evans Products was down 12.5% to a 52-week low of $1.75, for the two-week period.

Payless Cashways reversed several consecutive losing periods by closing June 28 at $18.38, up 5%, on a two-week volume of a little over eight million shares.



The Retail Stock Index is calculated for each of the past 52 weeks by multiplying the market value of home center issues (combined price divided by total shares outstanding) by a constant which adjusts the index to show its relation to performance of S&P 500 Index over the past 52 weeks.

MOST ACTIVE STOCKS

Company & Market	Total 2-Week Volume	Volume Trend Change	2-Week Price Change
	(100)	%	%
MacMlln Bldel ....N	2,133	630.0	- 2.3
Hechinger A ....M	10,772	442.7	- 7.1
DeSoto Inc ....N	1,317	319.7	2.1
Homecrafters Whse ....M	2,232	246.5	- 5.7
Thos Inds ....N	1,019	242.9	12.4

Company & Market	Total 2-Week Volume	Volume Trend Change	2-Week Price Change
	(100)	%	%
Erb Lumber ....O	32	200.0	7.1
Lowe's Cos ....N	10,054	182.7	.0
Home Depot ....N	13,512	179.3	- 10.2
Triangle Pac ....N	3,057	172.5	7.1
Grace W R ....N	13,343	159.4	- 3.0

TOP GAINERS

Company & Market	2-Weeks Ended 6-28-85	2-Week Price Change	Total 2-Week Volume
	$	%	(100)
Clopay Corp ....A	19.00	12.6	78
Thos Inds ....N	17.00	12.4	1,019
Triangle Pac ....N	28.38	7.1	3,057
Erb Lumber ....O	22.50	7.1	32
Natl Gypsum ....N	46.38	6.9	5,035

TOP LOSERS

Company & Market	2-Weeks Ended 6-28-85	2-Week Price Change	Total 2-Week Volume
	$	%	(100)
Mich General ....A	4.63	- 17.8	2,318
Evans Prod ....N	1.75	- 12	881
Home Depot ....N	13.25	- 10.	13,512
Hechinger B ....M	18.50	- 9.3	1,206
Hechinger A ....M	18.75	- 7.1	10,772

National Home Center News

HOME CENTER INDUSTRY MARKET SUMMARY

Stock Market

Company and Market	Price: 2-Weeks Ended 6-28-85	Price: 2-Weeks Change Amt.	Price: 2-Weeks Change Pct.	Price: 2-Week Range High	Price: 2-Week Range Low	Price: 52-Week Range High	Price: 52-Week Range Low	Volume: 2-Weeks Shares Traded Total	Volume: 2-Weeks Shares Traded % Out	Volume: 12-Week Avg. Vol. As % Out	Volume: Volume Trend Change
-	$	$	%	$	$	$	$	(100)	%	%	%
Retailers											
Boise Cascade ....N	48.25	.75	1.6	48.25	45.13	49.00	32.50	13,296	4.86	1.99	144.2
Color Tile ....M	17.50	.00	.0	17.50	17.13	20.00	14.25	2,204	2.39	1.75	36.6
Edison Bros ....N	37.63	1.88	5.2	37.63	35.50	37.63	31.50	1,185	1.17	.65	80.0
Erb Lumber ....O	22.50	1.50	7.1	24.50	21.00	22.50	18.00	32	.36	.12	200.0
Evans Prod ....N	1.75	- .25	- 12.5	2.13	1.75	6.25	1.75	881	.64	.33	93.9
Forest City Ent ....A	22.00	.13	.6	22.00	21.63	22.38	15.00	23	.06	.04	50.0
Grace W R ....N	40.38	- 1.25	- 3.0	41.63	39.38	44.50	38.50	13,343	2.75	1.06	159.4
Hechinger A ....M	18.75	- 1.44	- 7.1	20.59	18.00	23.19	13.81	10,772	12.32	2.27	442.7
Hechinger B ....M	18.50	- 1.91	- 9.3	20.00	18.25	24.19	13.81	1,206	.53	.29	82.8
Hines Ed Lumber ....O	39.00	- .25	- .6	39.75	39.00	43.75	34.50	83	.47	.25	88.0
Homecrafters Whse ....M	8.25	- .50	- 5.7	8.75	8.00	16.25	5.25	2,232	7.90	2.28	246.5
Home Depot ....N	13.25	- 1.50	- 10.2	14.88	12.63	27.88	12.00	13,512	5.39	1.90	179.3
INTERCO Inc ....N	66.75	1.13	1.7	67.25	65.00	70.50	55.00	1,496	1.06	2.10	- 49.5
K mart Cp ....N	38.38	.75	2.0	38.38	36.50	41.50	29.25	29,795	2.38	1.53	55.6
Lowe's Cos ....N	26.88	.00	.0	27.13	24.00	31.13	16.25	10,054	2.77	.98	182.7
Mich General ....A	4.63	- 1.00	- 17.8	5.63	4.50	8.50	4.50	2,318	2.04	1.00	104.0
Natl Lumber ....M	5.50	- .13	- 2.2	5.75	5.25	7.50	4.50	329	.58	.51	13.7
Pay N Pak ....N	14.50	.13	.9	15.25	14.25	17.50	11.50	1,951	1.95	1.94	.5
Payless Cash ....N	18.38	.88	5.0	19.38	17.50	23.38	13.50	8,120	2.34	1.29	81.4
Scotty's Inc ....N	13.50	- .38	- 2.7	14.25	13.50	16.38	11.38	844	.64	.39	64.1
Sears, Roebuck ....N	38.38	.63	1.7	39.00	37.38	39.13	29.75	56,626	1.57	.93	68.8
Std Brd Pnt ....N	23.63	1.38	6.2	23.88	22.13	23.88	16.50	1,733	1.55	1.48	4.7
Supermkts Gen ....N	46.25	1.75	3.9	46.25	41.75	47.75	23.63	6,405	3.90	1.56	130.8
Wolohan Lumber ....M	6.75	- .13	- 1.8	6.75	6.63	7.25	4.00	327	.56	1.24	- 54.8
Wholesalers											
Lewis Palmer ....M	8.38	- .13	- 1.5	8.63	8.13	9.75	7.13	232	.62	.68	- 8.2
Manufacturers											
Allegheny Intl ....N	22.88	- 1.25	- 5.2	24.50	22.63	28.75	18.75	2,447	2.32	1.03	125.2
Am Standard ....N	29.88	.25	.8	31.50	29.50	35.38	24.13	4,535	1.16	1.01	14.9
Armstrng Wrld ....N	39.00	1.38	3.7	39.50	37.50	39.50	23.25	6,529	2.74	1.34	104.5
Black & Decker ....N	19.75	.25	1.3	20.13	19.13	26.88	17.25	18,780	3.73	2.15	73.5
Certain-teed ....N	27.50	- .13	- .5	28.25	27.38	28.50	15.75	2,296	1.21	.57	112.3
Champ Intl ....N	23.13	.38	1.6	23.25	22.25	26.75	16.88	22,768	2.46	1.56	57.7
Clopay Corp ....A	19.00	2.13	12.6	19.00	16.63	22.19	10.91	78	.52	.82	- 36.6
DeSoto Inc ....N	35.75	.75	2.1	35.75	34.88	37.88	27.13	1,317	2.77	.86	319.7
Emhart Corp ....N	29.88	.25	.8	30.13	28.75	32.25	24.63	2,036	.74	.64	15.6
Georgia-Pacific ....N	23.75	.50	2.2	24.00	22.38	27.38	18.00	15,528	1.51	1.23	22.8
Insilco Corp ....N	19.25	.38	2.0	19.50	18.50	20.72	13.81	3,469	1.94	.93	108.6
La Pacific ....N	22.13	.63	2.9	22.38	21.13	24.75	16.50	4,642	1.35	.86	57.0
MacMlln Bldel ....N	16.00	- .38	- 2.3	16.88	16.00	21.81	15.00	2,133	.73	.10	630.0
Manville Cp ....N	6.00	- .25	- 4.0	6.88	5.75	9.38	5.13	6,228	2.60	1.34	94.0
Masco Corp ....N	35.25	2.25	6.8	35.50	63.00	35.75	22.50	12,540	2.22	.88	152.3
Mor-Flo Inds ....M	19.50	- .13	- .6	19.63	19.50	20.25	11.38	221	.86	.90	72.0
Natl Gypsum ....N	46.38	3.00	6.9	46.63	40.25	46.63	27.63	5,035	3.24	1.53	111.8
Newell Co ....N	16.25	.63	4.0	16.25	15.13	19.00	13.25	450	.52	.41	26.8
Owens Corning ....N	35.38	.25	.7	36.00	35.00	37.00	25.13	6,238	2.11	.92	129.3
Ply-Gem ....A	16.00	.38	2.4	16.13	15.50	16.50	11.00	748	2.07	1.02	102.9
Pope & Talbot ....N	19.38	- .25	- 1.3	19.88	19.00	21.50	15.00	113	.19	.20	- 5.0
Potlatch Cp ....N	34.88	.13	.4	34.88	33.25	38.13	25.75	754	.49	.54	- 9.3
Sherwin-Wms ....N	38.50	.13	.3	39.75	37.75	39.88	24.00	3,615	1.61	.80	94.0
SW Forest Ind ....N	14.00	- .13	- .9	14.25	12.88	20.00	11.75	3,607	3.88	2.08	86.5
Stanley Works ....N	29.50	- .75	- 2.5	30.88	29.25	31.00	18.50	5,277	1.96	.96	104.2
Thos Inds ....N	17.00	1.88	12.4	17.00	16.13	18.88	12.72	1,019	1.20	.35	242.9
Triangle Pac ....N	28.38	1.88	7.1	28.50	26.50	31.25	20.75	3,057	7.52	2.76	172.5
USG Corp ....N	42.50	2.63	6.6	43.00	38.50	43.00	22.50	8,114	2.46	1.41	74.5
Walter, Jim ....N	37.13	- 1.00	- 2.6	38.88	37.00	39.25	22.00	5,213	2.48	1.37	81.0
Waxman Ind ....M	15.63	.88	5.9	16.25	14.50	16.88	3.84	1,383	4.58	4.57	.2
Weyerhaeuser ....N	28.75	- .50	- 1.7	29.13	27.88	34.00	25.88	17,306	1.33	.69	92.8

Financial Update

Company and Market	P/E Ratio	Indicated Divd. Rate Amt.	Indicated Divd. Rate Yld.	Latest Report: New Report	Latest Report: Period	Latest Report: Date Ended	Latest Quarter: Revenue Amt.	Latest Quarter: Revenue Chg.	Latest Quarter: Net Income Amt.	Latest Quarter: Net Income Chg.	Latest Quarter: E.P.S. Amt.	Latest Quarter: E.P.S. Chg.	Year-to-Date: Revenue Amt.	Year-to-Date: Revenue Chg.	Year-to-Date: Net Income Amt.	Year-to-Date: Net Income Chg.	Year-to-Date: E.P.S. Amt.	Year-to-Date: E.P.S. Chg.
-	-	$	%	-	-	-	$Mil	%	$Mil	%	$	%	$Mil	%	$Mil	%	$	%
Retailers																		
Boise Cascade ....N	20.1	1.90	3.9	.....	3 mos.	03-85	957.5	1.0	33.3	19.4	1.12	17.9	957.5	1.0	33.3	19.4	1.12	17.9
Color Tile ....M	12.4	.00	.0	.....	9 mos.	03-85	90.7	14.7	3.1	- 20.5	.33	- 19.5	249.4	18.4	9.3	- 8.8	1.01	- 1.9
Edison Bros ....N	14.4	1.60	4.3	.....	3 mos.	03-85	276.9	- 9.2	3.9	- 61.0	.38	- 60.0	276.9	- 9.2	3.9	- 61.0	.38	- 60.0
Erb Lumber ....O	6.8	.00	.0	.....	3 mos.	03-85	27.1	2.3	(.4)	NE	(.40)	NE	27.1	2.3	(.4)	NE	(.40)	NE
Evans Prod ....N	NE	.00a	.0	.....	3 mos.	03-85	229.3	- 9.9	(39.7)	NE	(2.95)	NE	229.3	- 9.9	(39.7)	NE	(2.95)	NE
Forest City Ent ....A	44.9	.15	.7	.....	fiscal	01-85	75.3	20.7	.9	NE	.09	NE	264.5	6.2	3.9	- 7.1	.49	- 5.8
Grace W R ....N	10.6	2.80	6.9	.....	3 mos.	03-85	1580.0	5.5	35.5	- 22.7	.72	- 23.4	1580.0	5.5	35.5	- 22.7	.72	- 23.4
Hechinger A ....M	NA	.16	.9	.....		00-00	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Hechinger B ....M	19.7	.08	.4	.....	3 mos.	04-85	114.6	30.4	3.8	11.8	.17	13.3	114.6	30.4	3.8	11.8	.17	13.3
Hines Ed Lumber ....O	27.3	1.00	2.6	.....	fiscal	12-84	68.4	10.3	.2	- 33.3	.13	- 27.8	280.8	12.5	2.5	38.9	1.43	38.8
Homecrafters Whse ....M	NE	.00	.0	.....	fiscal	01-85	35.2	34.9	(3.2)	- 100.0	(1.14)	- 100.0	156.4	49.7	(4.8)	- 100.0	(1.69)	- 100.0
Home Depot ....N	26.5	.00	.0	.....	3 mos.	04-85	145.0	51.2	1.9	- 44.1	.08	- 42.9	145.0	51.2	1.9	- 44.1	.08	- 42.9
INTERCO Inc ....N	10.1	3.08	4.6	.....	9 mos.	11-84	698.7	- 5.9	28.3	- 20.3	1.77	- 17.7	2044.8	- .5	72.2	- 10.2	4.42	- 9.1
K mart Cp ....N	10.0	1.40	3.6	.....	3 mos.	04-85	4984.1	19.3	58.5	.9	.46	2.2	4984.1	19.3	58.5	.9	.46	2.2
Lowe's Cos ....N	16.0	.36	1.3	.....	3 mos.	04-85	452.3	18.9	11.9	- 6.3	.33	- 5.7	452.3	18.9	11.9	- 6.3	.33	- 5.7
Mich General ....A	22.0	.00	.0	.....	3 mos.	03-85	88.1	- 10.0	(2.6)	- 100.0	(.23)	- 100.0	88.1	- 10.0	(2.6)	- 100.0	(.23)	- 100.0
Natl Lumber ....M	26.2	.00	.0	NEW	3 mos.	03-85	31.4	10.2	.2	- 33.3	.03	- 50.0	31.4	10.2	.2	- 33.3	.03	- 50.0
Pay N Pak ....N	14.4	.64	4.4	.....	fiscal	02-85	61.5	15.2	1.2	- 45.5	.12	- 50.0	305.2	22.3	10.1	1.0	1.01	- 9.0
Payless Cash ....N	16.3	.16	.9	NEW	6 mos.	05-85	376.5	20.7	13.0	6.6	.39	5.4	631.4	23.9	14.6	- 1.4	.44	- 4.3
Scotty's Inc ....N	10.2	.52	3.9	.....	9 mos.	03-85	121.7	6.0	5.0	- 12.3	.38	- 13.6	333.0	7.2	12.0	- 1.6	.90	- 6.3
Sears, Roebuck ....N	9.6	1.76	4.6	.....	3 mos.	03-85	8902.9	5.4	223.3	4.4	.60	.0	8902.9	5.4	223.3	4.4	.60	.0
Std Brd Pnt ....N	12.6	.56	2.4	.....	3 mos.	04-85	80.9	4.0	4.8	4.3	.43	2.4	80.9	4.0	4.8	4.3	.43	2.4
Supermkts Gen ....N	13.7	.48	1.0	.....	3 mos.	04-85	1215.4	37.2	11.8	181.0	.66	175.0	1215.4	37.2	11.8	181.0	.66	175.0
Wolohan Lumber ....M	15.3	.16	2.4	.....	3 mos.	03-85	23.1	4.1	(.3)	NE	(.06)	NE	23.1	4.1	(.3)	NE	(.06)	NE
Wholesalers																		
Lewis Palmer ....M	39.9	.28b	3.3	.....	3 mos.	04-85	33.0	13.4	.0	- 100.0	.00	- 100.0	33.0	13.4	.0	- 100.0	.00	- 100.0
Manufacturers																		
Allegheny Intl ....N	NE	1.40	6.1	.....	3 mos.	03-85	507.2	1.9	5.1	- 7.3	(.35)	NE	507.2	1.9	5.1	- 7.3	(.35)	NE
Am Standard ....N	10.1	1.60	5.4	.....	3 mos.	03-85	789.0	25.1	20.3	2.0	.52	- 17.5	789.0	25.1	20.3	2.0	.52	- 17.5
Armstrng Wrld ....N	10.8	1.30	3.3	.....	3 mos.	03-85	376.6	- 1.8	17.9	- 23.8	.75	- 20.2	376.6	- 1.8	17.9	- 23.8	.75	- 20.2
Black & Decker ....N	11.2	.64	3.2	.....	6 mos.	03-85	403.1	26.4	14.8	- 35.9	.29	- 40.8	906.1	33.8	43.8	- 12.0	.86	- 18.1
Certain-teed ....N	12.9	.70	2.5	.....	3 mos.	03-85	252.9	- 9.3	8.2	- 9.9	.41	- 8.9	252.9	- 9.3	8.2	- 9.9	.41	- 8.9
Champ Intl ....N	NE	.40	1.7	.....	3 mos.	03-85	1645.8	43.4	43.8	50.5	.43	- 6.5	1645.8	43.4	43.8	50.5	.43	- 6.5
Clopay Corp ....A	12.6	.16	.8	.....	3 mos.	03-85	29.2	5.4	(.5)	NE	(.29)	NE	29.2	5.4	(.5)	NE	(.29)	NE
DeSoto Inc ....N	11.6	1.40	3.9	.....	3 mos.	03-85	93.0	4.8	.8	- 77.8	.17	- 73.8	93.0	4.8	.8	- 77.8	.17	- 73.8
Emhart Corp ....N	10.2	1.40b	4.7	.....	3 mos.	03-85	419.9	- 8.9	14.1	- 33.5	.51	- 40.0	419.9	- 8.9	14.1	- 33.5	.51	- 40.0
Georgia-Pacific ....N	23.1	.80	3.4	.....	3 mos.	03-85	1580.0	6.2	49.0	- 3.9	.43	16.2	1580.0	6.2	49.0	- 3.9	.43	16.2
Insilco Corp ....N	10.8	1.00b	5.2	.....	3 mos.	03-85	197.3	4.8	6.0	- 9.1	.33	- 8.3	197.3	4.8	6.0	- 9.1	.33	- 8.3
La Pacific ....N	18.0	.80b	3.6	.....	fiscal	12-84	283.7	- 3.0	21.0	195.8	.64	204.8	1230.0	11.6	42.2	51.3	1.23	50.0
MacMlln Bldel ....N	NE	.00a	.0	.....	fiscal	12-84	578.5	11.0	24.0	77.8	.58	87.1	2127.6	4.1	19.3	589.3	(.20)	NE
Manville Cp ....N	2.8	.00	.0	.....	fiscal	12-84	456.5	5.8	18.2	1416.7	.50	NE	1814.2	4.9	77.2	14.9	2.18	23.9
Masco Corp ....N	20.5	.56	1.6	.....	3 mos.	03-85	229.0	63.3	35.5	454.7	.61	- 31.5	229.0	63.3	35.5	454.7	.61	- 31.5
Mor-Flo Inds ....M	7.4	.01	.1	.....	3 mos.	03-85	52.4	7.2	1.7	13.3	.65	6.6	52.4	7.2	1.7	13.3	.65	6.6
Natl Gypsum ....N	6.6	2.00	4.3	.....	3 mos.	03-85	365.8	- 6.2	26.0	7.4	1.67	7.7	365.8	- 6.2	26.0	7.4	1.67	7.7
Newell Co ....N	10.0	.50	3.1	.....	3 mos.	03-85	79.5	4.3	3.2	10.3	.35	2.9	79.5	4.3	3.2	10.3	.35	2.9
Owens Corning ....N	8.6	1.40	4.0	.....	3 mos.	03-85	678.0	- 2.4	28.0	35.3	.95	35.7	678.0	- 2.4	28.0	35.3	.95	35.7
Ply-Gem ....A	13.4	.16	1.0	.....	3 mos.	03-85	40.7	3.8	1.1	.0	.30	- 9.1	40.7	3.8	1.1	.0	.30	- 9.1
Pope & Talbot ....N	NE	.80	4.1	.....	3 mos.	03-85	83.1	3.6	2.2	4.8	.37	5.7	83.1	3.6	2.2	4.8	.37	5.7
Potlatch Cp ....N	12.4	1.56	4.5	.....	3 mos.	03-85	234.7	- 6.2	11.5	- 8.0	.67	1.5	234.7	- 6.2	11.5	- 8.0	.67	1.5
Sherwin-Wms ....N	13.4	.92	2.4	.....	3 mos.	03-85	492.1	6.1	5.7	14.0	.25	13.6	492.1	6.1	5.7	14.0	.25	13.6
SW Forest Ind ....N	46.7	.00	.0	.....	3 mos.	03-85	170.5	- 2.5	(1.6)	- 100.0	(.33)	- 100.0	170.5	- 2.5	(1.6)	- 100.0	(.33)	- 100.0
Stanley Works ....N	11.2	.96	3.3	.....	3 mos.	03-85	276.9	4.3	14.0	1.4	.52	6.1	276.9	4.3	14.0	1.4	.52	6.1
Thos Inds ....N	9.7	.68b	4.0	.....	3 mos.	03-85	73.9	17.5	3.2	- 22.0	.37	- 22.9	73.9	17.5	3.2	- 22.0	.37	- 22.9
Triangle Pac ....N	8.5	1.00	3.5	.....	3 mos.	03-85	62.1	.6	2.6	4.0	.62	3.3	62.1	.6	2.6	4.0	.62	3.3
USG Corp ....N	7.4	1.68	4.0	.....	3 mos.	03-85	588.3	22.4	42.5	7.6	1.28	7.6	588.3	22.4	42.5	7.6	1.28	7.6
Walter, Jim ....N	7.6	1.40	3.8	NEW	9 mos.	05-85	579.8	2.7	31.2	6.1	1.43	5.9	1664.4	- 1.7	73.3	15.8	3.36	15.9
Waxman Ind ....M	18.8	.08	.5	.....	9 mos.	03-85	20.5	97.1	.5	66.7	.19	58.3	61.4	105.4	1.7	142.9	.66	144.4
Weyerhaeuser ....N	18.8	1.30	4.5	.....	3 mos.	03-85	1275.7	- .1	38.2	4.4	.24	4.3	1275.7	- .1	38.2	4.4	.24	4.3

All data is based on sources believed to be reliable, but its accuracy is not guaranteed. Every effort will be made to correct errors, when discovered, in future issues.

Reporting period
3 mos.—First quarter of fiscal year
6 mos.—First six months of fiscal year
9 mos.—First nine months of fiscal year
Fiscal—Fiscal year
NEW—New report since last issue

NA—Not available or not applicable
NC—Data required for calculation currently incomplete in our files
NE—Negative earnings invalidate calculations
NM—No meaningful figure
a—Under dividend amount, indicates a stock dividend

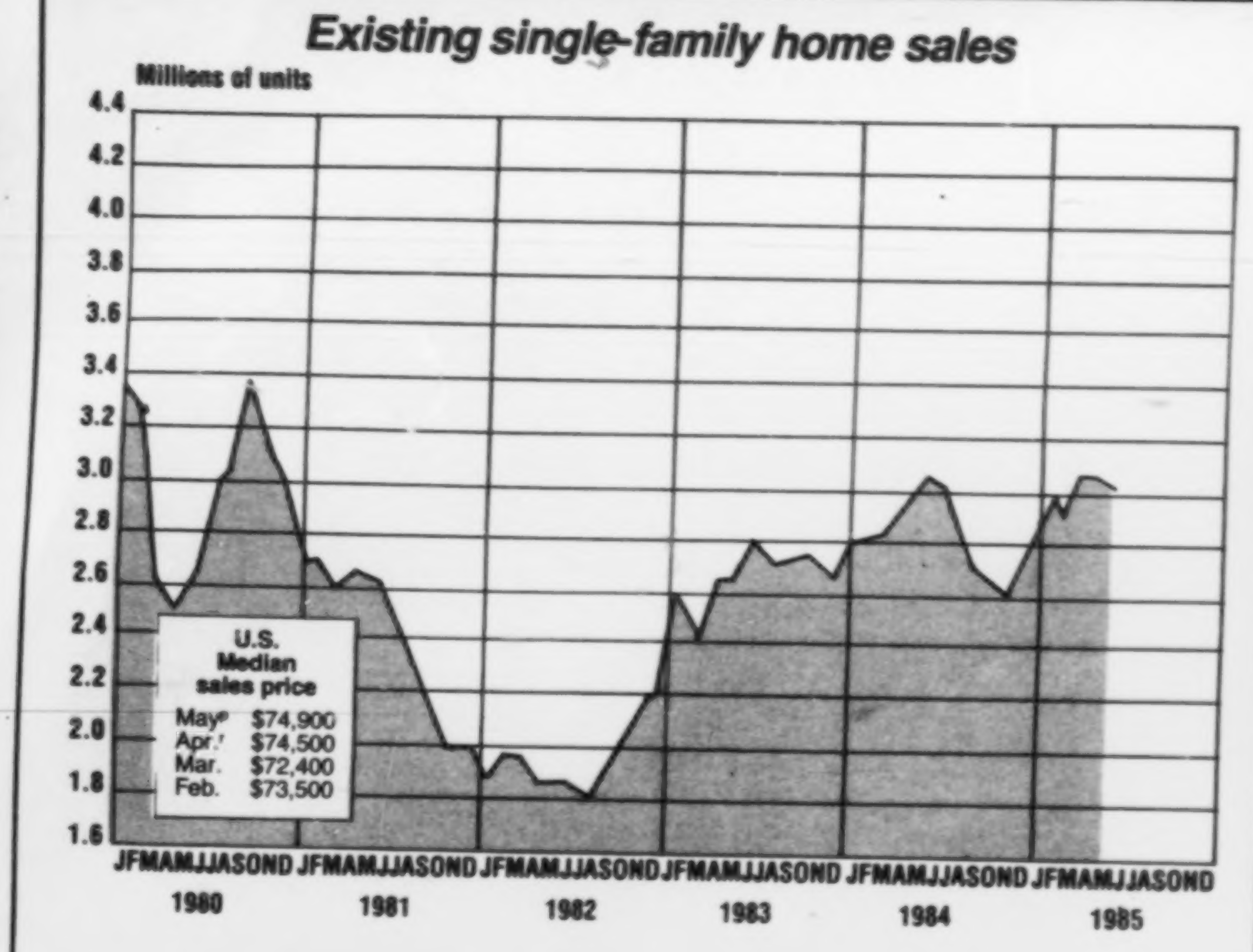
b—Indicates cash plus stock dividend when applied to dividend amount column

All earnings data and all related calculations using earnings data use primary earnings from total operations and after taxes. Earnings are before extraordinary items, when such items are applicable.

Market
N—New York Stock Exchange
A—American Stock Exchange
O—NASDAQ Over-the-Counter
M—NASDAQ National Market

Data and Table Provided by Media General Financial Services Inc., Richmond, Va. 23219

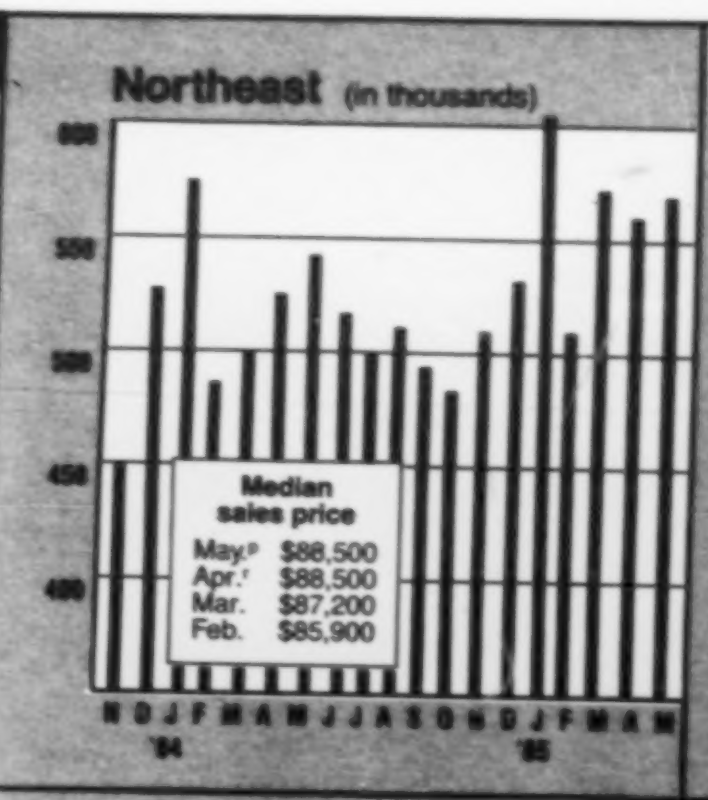
HOUSING WATCH

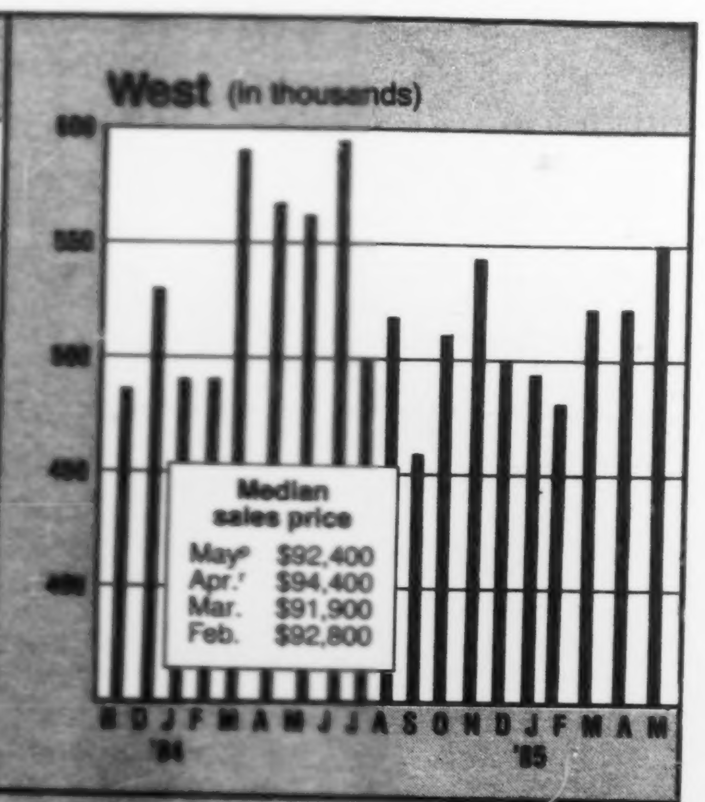


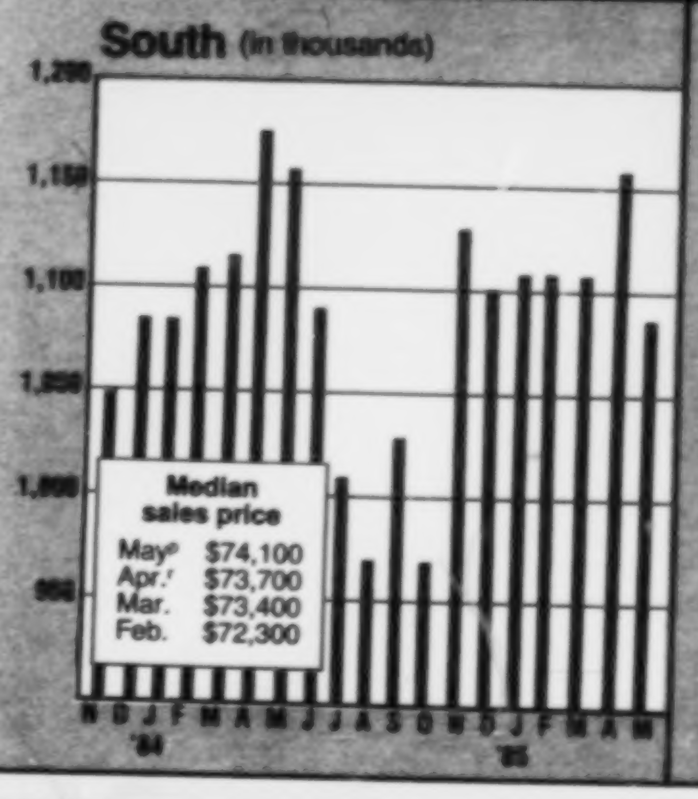
Despite the 1% decline in home resale activity in May, the Nat'l Assn. of Realtors is optimistic about the nation's year-end total, which is predicted to be an 8.2% increase over 1984. Already, the seasonally adjusted May figure of 3.01 million units is 1.3% ahead of last May, and marks the third consecutive month seasonally adjusted activity is above the 3 million mark.

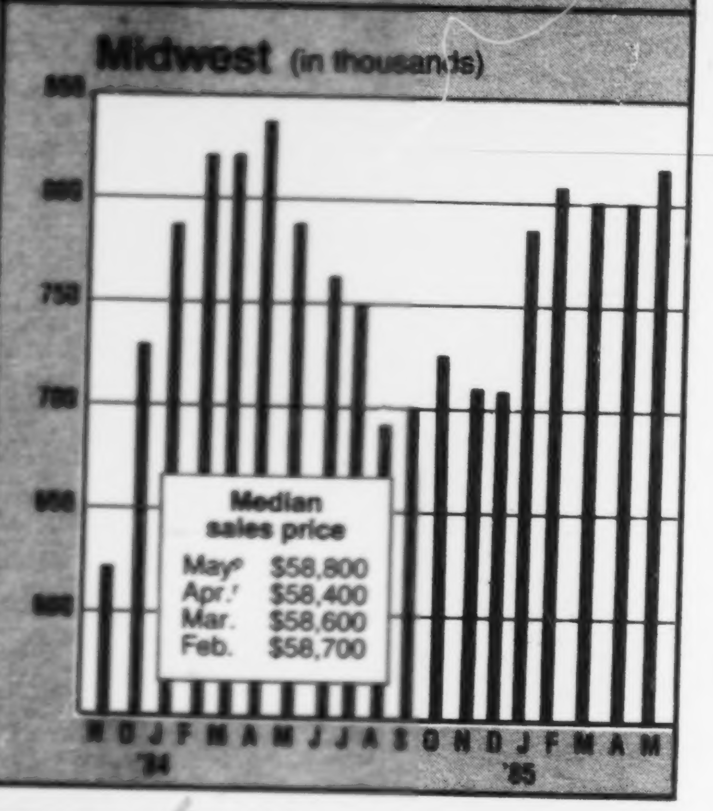
p = preliminary   r = revised

Source: Nat'l Assn. of Realtors









Existing homes sales take May 'breather'

NATIONAL REPORT — Activity for existing home sales took a "breather" in May, declining 1% to a seasonally adjusted 3.01 million units, according to the National Assn. of Realtors.

Despite the slight decline, the NAR reports it is "not concerned at all" and expects 1985 figures to be 8.2% ahead of 1984.

In fact, May's figures are noteworthy: It was the third consecutive month that sales activity for existing homes was above the seasonally adjusted three million mark, noted NAR spokesman Walt Molony.

May's numbers "are just kind of taking a breather," said Molony, referring to the record-setting April figure of 3.04 million units, seasonally adjusted. "We expect to have an increase this year."

The NAR is projecting 3.10 million units will be sold in the United States in 1985 compared to the 2.9 million sold last year.

The increases projected for home resale activity will not be mirrored in the new home construction market this year, however.

According to the U.S. Commerce Dept., housing starts declined 14% in May to a seasonally adjusted rate of 1.66 million units.

The National Assn. of Home Builders projects 1985 will yield 1.65 million new starts, down 6% from 1984.

The small decline in resale activity in May is blamed on the South's 7.8% decline to a seasonally adjusted 1.07 million units.

All other regions posted sales increases with the West charting the largest rise, 5.8% to a seasonally adjusted rate of 550,000 units.

Unsold inventory continued its decline in May to 2.72 million units, below April's 2.78 million houses and the 2.80 million units reported in March.

The price of an existing home rose $400 in May to $74,900, a 3% increase over last May when the price was $72,700.

The price of a house in the Northeast has risen the most of any region, 13.5% since last May to $88,500, although the cost of a resale home there was unchanged from April.

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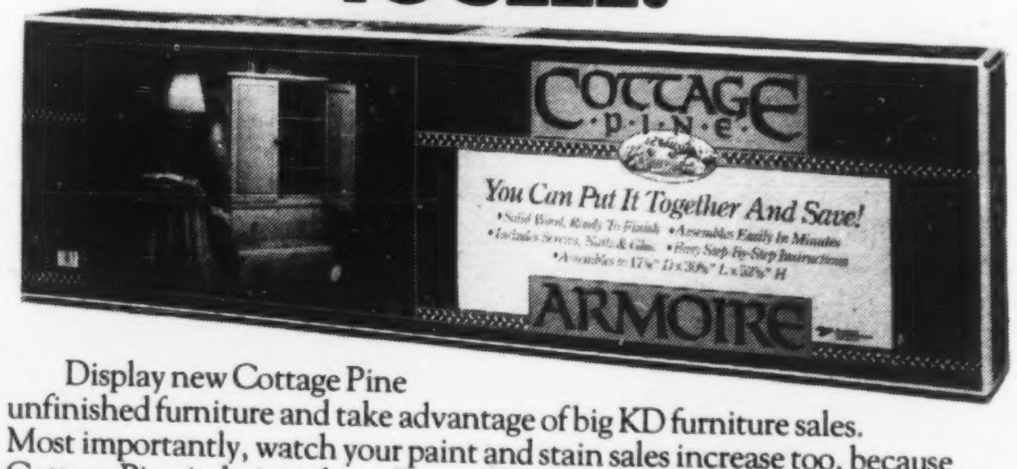

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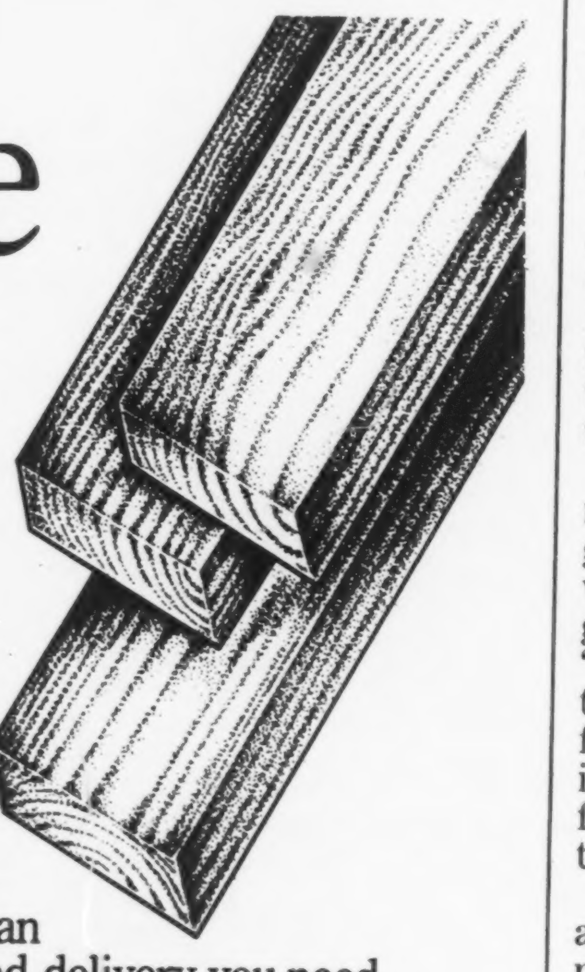

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LUMBER REPORT

Reagan tax proposals predicted to wreak havoc on forest industry

(Continued from page 1)

Among the industry's dire predictions are a disincentive to reforest harvested lands, dramatic curtailments in production, sharp drops in supply, poor resource management and a depressed housing market, which ultimately would affect retail sales.

Although some timber executives savored the tax plan's call for reducing corporate taxes by almost 45%, others fear that the loss of some historic tax incentives would make the corporate tax reduction meaningless. They complain that the industry is already beset by oversupply, dwindling demand, intense Canadian lumber competition and worry that the Administration's reform package would exacerbate a perilous condition.

At the heart of the industry's nightmare is Reagan's proposal that timber grower's could no longer deduct their management and capitalization expenses for reforestation and would lose the capital gains treatment when trees are harvested.

Frank Slover, director of communications for the Georgia Pacific Corp., said that T. Marshall Hahn Jr., president and ceo of the giant timber grower, has been an outspoken critic of the tax reform plan. Slover said Hahn and other industry leaders oppose the plan because it discourages timber growers from making investments in major capitalization projects.

Slover pointed to a speech Hahn recently delivered before the Georgia Forestry Association that outlined the executive's revulsion with the Administration's reform package. At the core of his address was the possibility that large timber growers—like Georgia Pacific who spent more than $700 million on capital projects last year—would be discouraged from investing in future capital programs if there were no supportive tax policies.

"Our nation certainly will not benefit by a return to policies of the past," Hahn told the Georgia foresters. "I know of no other industry where it is proposed that the carrying costs of capital assets cannot be expensed.

"The change is inequitable because of its uneven impact on one industry and it does not accurately reflect the long-term nature of the timber investment, which is ideally suited to a capital gains treatment."

Luke Popovich, of the American Forest Institute, an adjunct of the National Forest Products Association, argues that the forest industry is too capital intensive to return to unfavorable tax policies of yesteryear.

"Those two provision [investment tax credit and capital gains treatment for timber] were the biggest incentives to grow forests," Popovich said. "If they are removed, it's going to set the clock back to 1944. Before that time, we had a history in this country of cut and run foresters. There was no incentive to growing timber.

"But since 1944, with the enactment of these laws, we have practiced sustained yield foresting. It encourages reforestation.

"If the President's plan passes, a typical landowner is going to look at the investment of a $150 acre of timberland and ask himself, 'why invest that kind of money for 40 or 50 years when you can probably put it in some other low risk investment and get a better rate of return in shorter period of time?'"

Neil Wissing, vice president of taxes for Weyerhaeuser, said the American forest industry has been shackled by uncontrollable economic factors for more than a decade and would be crippled by the proposed tax reforms.

"The business is not a roaring success," he said. "Everybody in the forest products industry is hurting and we have been trying to work our way out of it.

"What the tax reform does essentially is discourages reforestation," Wissing said. "It reduces the return of investment significantly and so the price of lumber will not adjust quickly enough, therefore the rate of return on forest investments will not rise and what that means is that marginal lands will go out of production.

"Less wood will be bought off of each acre that is harvested and the management will be much less intense, all of which forebodes a major timber shortage somewhere downstream."

Harry Horrocks, director of governmental affairs for the National Lumber and Building Materials Dealers Association, also expects lumber shortages. He said that increases in the price of lumber during a time of shortage might mean a decline in housing starts, which in turn could lead the economy into a recession.

"Home construction is this nation's bread and butter," Horrocks said, "and if anything happens to reduce lumber supply, its going to have a trickle down effect on housing, which means, of course, retailers will have to pay more and do-it-yourselfers will pay more for the wood they use."

Estimates from the National Association of Home Builders forecast a decline of 400,000 housing units if the Reagan tax plan sails through Congress. The NAHB, which is expected to announce a more detailed reaction to the tax plan in the near future, said at least 125,000 single family homes would not be constructed in a post-Reagan tax plan environment.

But despite the industry's gloomy prognosis, many are confident that the tax plan is destined to be revised before Congress approves it.

"I think that bill will see a lot of adjustments before it becomes law," said Wissing, the Weyerhaeuser tax expert. "We have a lot of support, especially by Senator (Bob) Packwood (R-Ore., who chairs the powerful finance committee) and he understands the economics of timber.

"But we have other supporters in Congress, too. Afterall, trees grow in every state except Kansas and Nebraska."

FUTURES

Two weeks ended June 20, 1985

LUMBER (CME)—130,000 bd. ft. spruce-pine-fir 2x4's; $ per 1,000 bd. ft.

	High	Low	Close	Previous Week	Open* Interest	Contract High	Contract Low
July '85	152.00	141.20	146.80	151.40	2,964	230.50	129.30
Sept.	154.50	145.40	148.20	154.20	3,260	197.50	135.30
Nov.	155.20	148.50	151.40	155.50	2,290	186.10	137.80
Jan. '86	160.00	155.80	157.50	160.20	662	187.30	144.60
March	166.40	162.70	164.30	165.90	319	188.20	149.00
May	171.20	167.00	170.00	170.10	177	176.40	153.00
July	178.90	172.50	176.30	179.00	40	183.40	172.50

Total Contract Voi. (Through 6/20): 26,322 **Previous Two Weeks: 22,464**
Total Open Interest (As of 6/20): 9,712 **Previous Week: 10,578**
Cash Price: $152.88 **Previous Week: $160.72** **Year Ago: $135.24**

CME—Chicago Mercantile Exchange CBT—Chicago Board of Trade
*Figures for Thursday, June 20.
Open Interest is the number of outstanding contracts for each delivery month not liquidated by an offsetting transaction or fulfilled by delivery.

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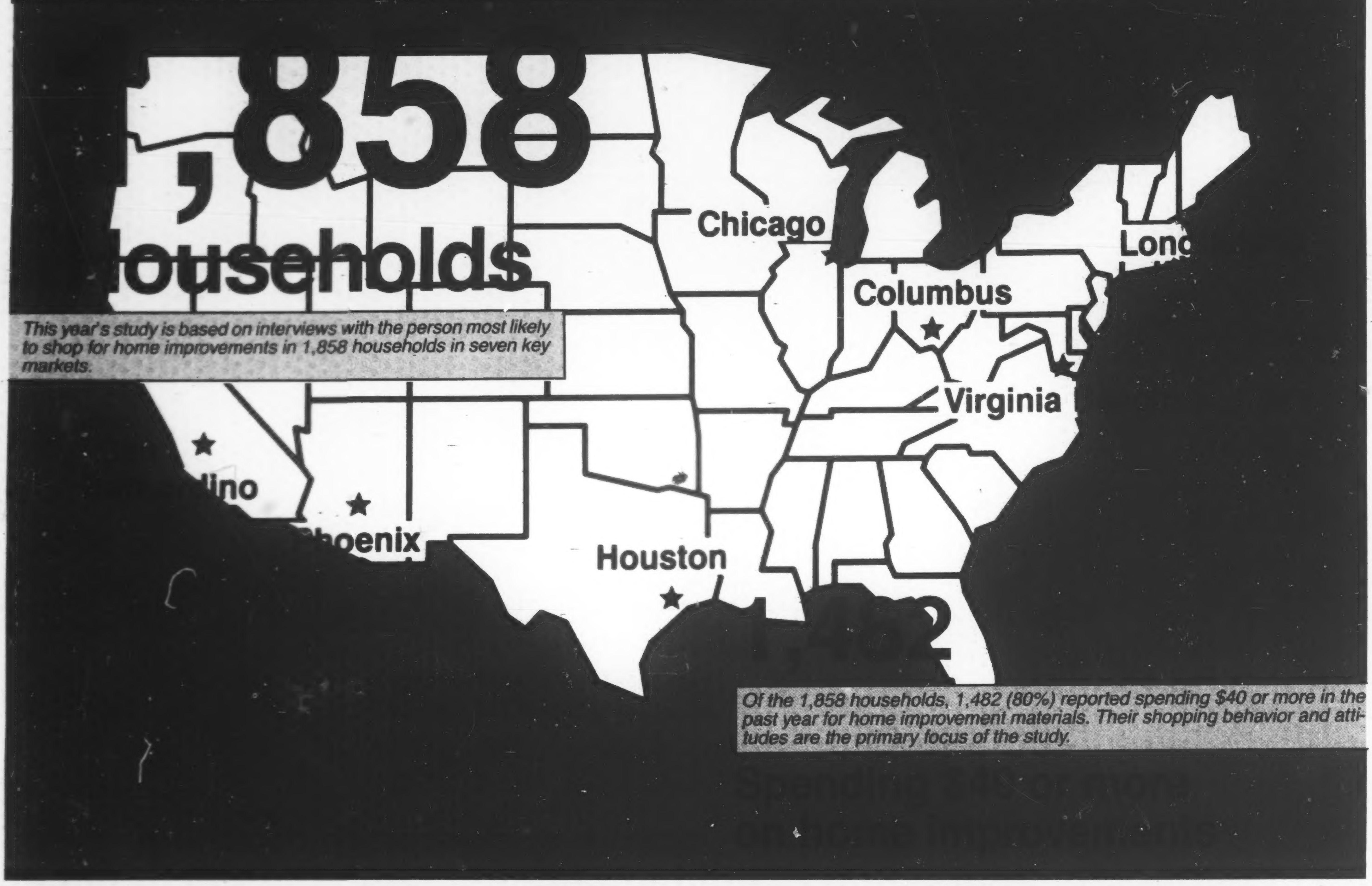
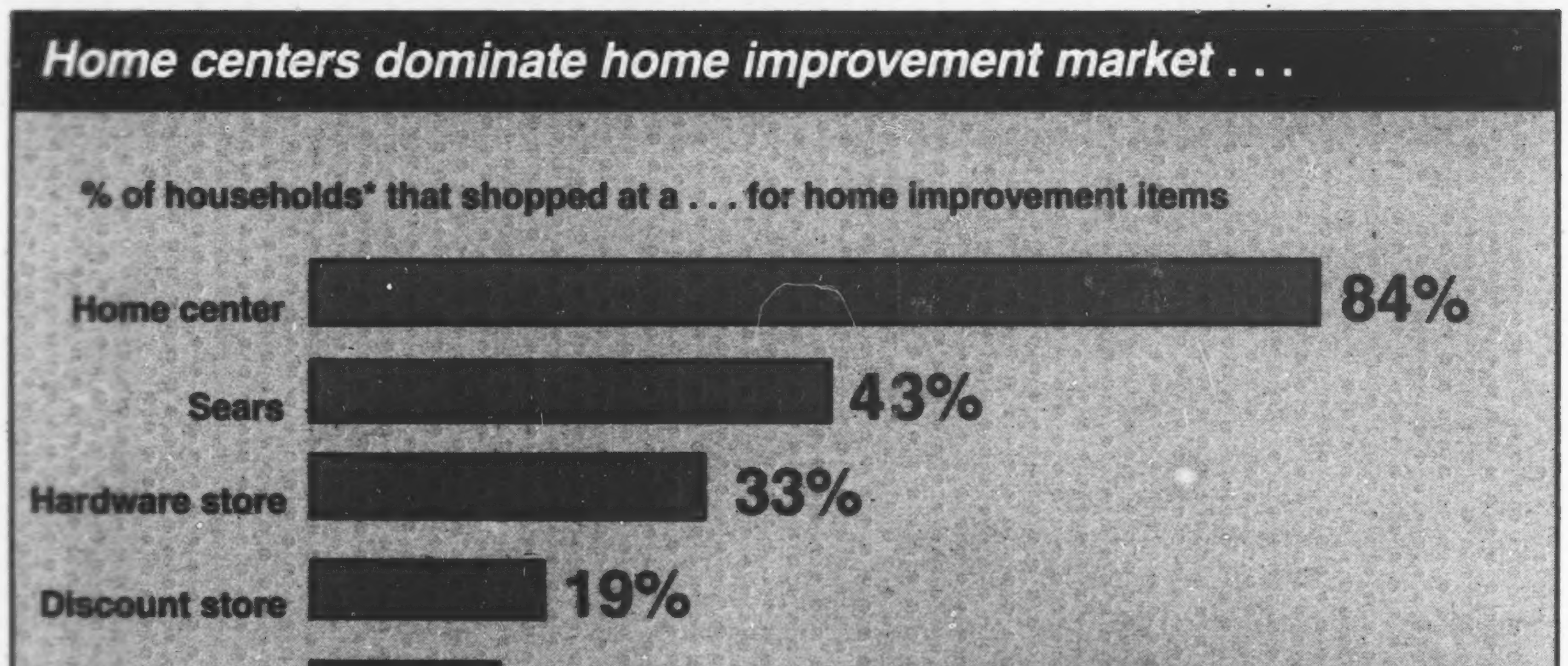
ATTRACTING THE DIY CONSUMER



This year's study is based on interviews with the person most likely to shop for home improvements in 1,858 households in seven key markets.

Of the 1,858 households, 1,482 (80%) reported spending $40 or more in the past year for home improvement materials. Their shopping behavior and attitudes are the primary focus of the study.

After 10 years, home centers come of age



In the seven markets studied, twice as many households shop at home centers than Sears for home improvement supplies and the ratio widens for hardware stores, discount stores and specialty retailers. But home centers' dominance varies widely among the seven markets surveyed.

NATIONAL REPORT — The home center is no longer a stranger on the retail shopping block, but has become a dominant force for consumers looking to buy products to improve their homes, a new national poll has reported.

The study, which profiled seven major metropolitan markets across the United States, found that a majority of consumers, 84%, shop home centers for home improvement products more frequently than they do other competing retailers.

The survey, however, also identified several areas of shopper discontent with home centers and indicated that these shortcomings allow other retailers to siphon off customers.

The consumer poll was conducted for *National Home Center News* by Leo J. Shapiro & Associates of Chicago. The pollsters interviewed by phone 1,858 persons in seven, highly competitive home improvement markets. Of the respondents, 80% or 1,482 said they had spent more than $40 within the past year for home care merchandise. The seven selected markets were Chicago, San Bernardino, Long Island, Columbus, Virginia Beach, Houston and Pheonix.

"Clearly this shows that people know what a home center is," said one industry executive at an East Coast chain who requested anonymity. "It's becoming clearer to shoppers what is meant by a home center.

"After 10 years, the home center is finally coming of age. People didn't know what a home center was 10 years ago."

The executive's observation is borne out by the survey's finding that home centers have emerged as a dominant retailer for home improvement products. Of those respondents who said they had spent $40 or more on merchandise to improve their homes, more than 8 out of 10 have shopped at a home center in the past year. This is in sharp contrast to the home center's closest rival, Sears, where 4 out of 10 shoppers said they shopped for home improvement products.

Discount stores and specialty shops (paint and carpeting stores, for example) ranked lowest, with less than 1 out of 5 consumers generally indicating that they had shopped at those stores.

Hardware stores, running close behind Sears, were shopped at a third of the time by consumers who spent at least $40 to improve their homes.

When the shoppers were asked where did they shop most often for products to fix-up or remodel their homes, 6 out of 10 said they shopped at home centers. What's more, the survey reported that when those customers who generally shopped stores other than home centers were unable to stop at their first choice, 6 out of 10 would choose a home center as their second choice.

But 4 out of 10 shoppers responding to the same question indicated that the home center is not their first choice when ~~shopping for home~~ improvement products.

The poll revealed that home improvement shoppers appear to be a fickle lot, who actively make price comparisons and who tend to spread their money around, especially on big ticket projects.

One industry executive, who asked to remain nameless, said the finding that home centers are losing 4 out of 10 purchases to other retailers is a mixed signal. One one hand, the lost purchases represented a sizable customer base, he said, but he added that, in time, home centers will probably capture that segment.

"I think it makes sense that people shop around," the executive said, "but I don't think it means that they are not going to home centers.

"If somebody decides to add on a kitchen, and we're talking plumbing, probably some paneling, tiling and so forth, then they are going to shop around at a number of places.

"I don't think that 4 out of 10 ratio holds up, but if it's true, I really don't think we have anything to worry about in terms of our longevity."

Among the seven markets studied, the poll revealed wide variances in consumer patronage at home centers. In Phoenix—where several home center chains are engaged in a tight

(Continued on page 20)

After 10 years, home centers come of age

(Continued from page 19)

battle for market share—9 out of 10 shoppers said they buy at home centers. But in Chicago, another head-to-head competitive market, 6 out of 10 shoppers said they had gone to a home center within the past year.

The study suggested that one reason for the differences in shopper loyalty may derive from a number of defects that plague the industry and which make certain markets vulnerable for penetration by other retailers, including other invading home centers.

For example, the pollsters learned that Sears, hardware stores and discount chains maintained their share of the home improvement market in different ways, including offering convenience and help (hardware stores); product quality, reliability and credit (Sears), and low prices (discounters). These are areas where home centers are sometimes deficient, the report suggests.

Those same defects similarly haunt home center competitors and led to one of the study's more intriguing conclusions that most home improvement shoppers do not believe that the store in which they shop at the most is the best in town.

"In effect, the primary supplier [the store shopped most often] is seen as a compromise," the study reported.

Even for those customers who believe their habitual home improvement store is the best in town—about 1 in 4 the shoppers are conscious of retail deficiencies and are apt to shop elsewhere. The ratio is equally true for shoppers who buy most of their home improvement goods at Sears, hardware stores and specialty shops.

Discount stores in particular scored low marks by shoppers with only 1 out of 10 indicating that they felt they are buying from the best store in town.

The restlessness that characterizes home improvement shoppers helps to explain another finding in the survey: that a majority of the shoppers are aware of new home improvement stores moving into their cities or remodeling. Overall, 71% of the respondents said they knew when a new store was coming to town. In Virginia Beach, that percentage was 91%.

On a product category-by-product category basis, home centers dominate except in specialty areas like wallcoverings and in hand and power tools where Sears remains the clear choice.

"There's a perception that Sears is this American institution," said Ray Cooney, vice chairman of Scotty's in Winter Haven, Fla. "I mean, let's face it, they've done their job. Chances are your father and your father's father have shopped at Sears.

"They've introduced some innovative retail ideas, like credit cards.

"But the home center industry is coming of age in many ways and in some areas I think we have caught up with Sears. In the future, you'll see the younger generation coming to home centers, spreading those dollars around."

Regional differences

Cliff Oxford, senior vice president, corporate communications, of Lowe's, North Wilkesboro, N.C., said many of the findings in the survey did not reflect Lowe's position since "we cater to smalltown America and the survey looked at big city markets." But he acknowledged that the grip hardware stores have in the industry as the place for convenience and help is an important consideration.

"We are in a new industry," Oxford said, "The home center is just 10 years old and 75% of [hardware stores] are Mom and Pop operators. They've been around for 40 years or more and know everything about a plumbing elbow to repairing a lawn mower.

"Customers know these people and feel comfortable with them.

"But the industry is fragmented so that home centers will remain viable. People said a few years ago that convenient food markets would never work. Well 7-Eleven is going strong and did not put the grocery store out of business and the supermarket has not put 7-Eleven out of business either."

The explanation

What the study shows, according to the pollsters, is that, even in the highly developed markets, other retailers are able to hold their own against the home centers. In a highly competitive market, a hardware store or a Sears can withstand the home center and get a pretty good following.

Home centers were store of choice in nine product categories

"Where would you most likely buy . . . ?"*

Product category	Home center	Hardware	Sears	Discount	Specialty store
Lumber or plywood	83%	4%	1%	1%	2%
Home insulation	59	5	8	1	7
Doors or windows	54	5	18	1	12
Bathroom sink/vanity	52	5	14	1	13
Plumbing pipe/faucets	51	13	7	2	15
Electrical wire/switches	48	13	7	3	13
Indoor/outdoor lighting	44	8	12	4	15
Lock sets	41	20	13	7	11
Garden tools	36	15	18	12	11
Hand tools	28	16	38	7	7
Portable power tools	26	10	44	6	7
Wall or house paint	24	6	25	5	33
Wallpaper	18	2	6	3	47

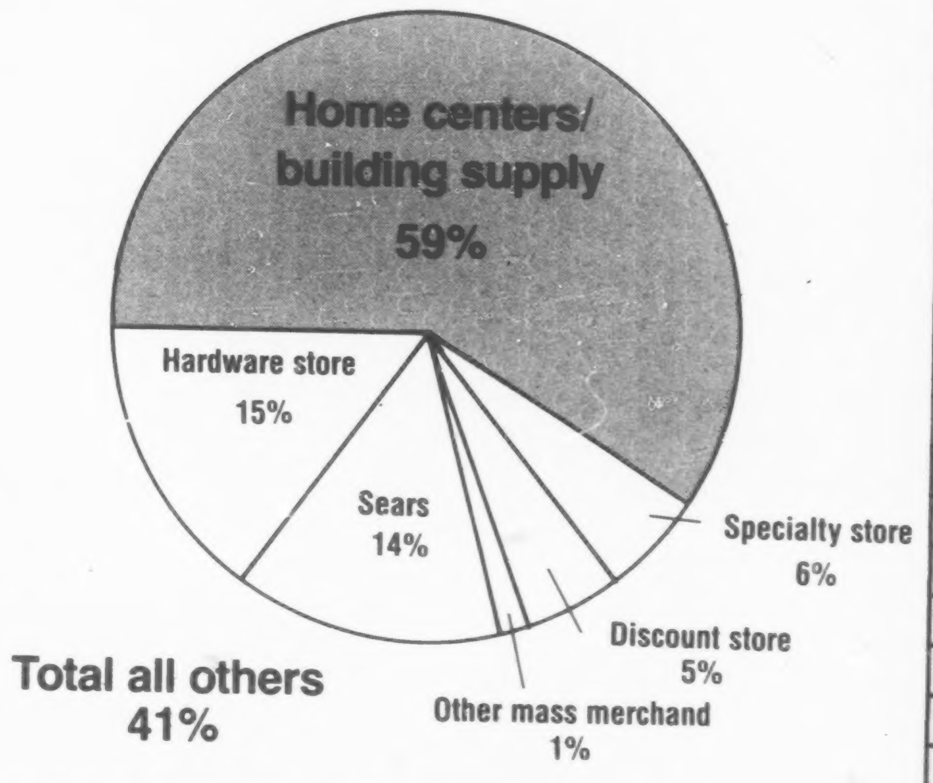
*Avg. % for seven markets

Source: Leo J. Shapiro & Assoc. for *National Home Center News* ©1985

The dominance of home centers is reflected in the fact that large proportions of consumers see the home center as the place to buy a variety of home improvement product categories.

Home centers were primary source for only 6 of 10 purchasers

"What store did you shop at most often for home improvement items in the past year?"



*Asked of all households spending $40 or more in past year

Source: Leo J. Shapiro & Assoc. for National Home Center News ©1985

"Why did you shop at a home center?"

Factor that influenced choice of store	% of shoppers who chose a home center
Location	50.1%
Prices	44.8
Product variety	43.7
Helpful, knowledgeable staff	10.8
Product quality	8.3
Good sales, promotions	7.6
Fast service	3.9
Know people there	2.3
Shopped there for years	2.0
Credit/charge card	1.9
Store is large	1.9
Well stocked	1.8
Carries name brands	1.7
Gets discounts	1.7
Variety within category	1.6
Easy to find things	1.1
Convenient hours	1.1

Despite home centers' dominance, competitive retailers have had considerable success maintaining a market position. Location, price and completeness are dominant factors that influence choice of a home improvement store.

DIYers play the field: various factors lure fickle home improver

NATIONAL REPORT — Restless in a shopping environment where a variety of stores offer home improvement products, do-it-yourselfers will often bypass the stores they shop most frequently, in favor of competing outlets.

Consumers participating in a survey conducted for *NHCN* by Leo J. Shapiro & Assoc., Chicago, cited better credit policies, lower prices, product quality and location as some of the characteristics that lure them from their most commonly shopped stores when they purchase home improvement items.

Responding to these and other attractions such as product variety, fast and knowledgeable service, and special sales promotions, consumers play the field not only within the arena of home centers but also within the larger retail world of hardware, specialty and department stores.

The phenomenon of the fickle shopper seems to be the most visible element of a deeper issue. Do-it-yourselfers participating in the survey exhibited less than complete satisfaction with the quality of the store they shopped at most often.

Of those respondents who shopped most often at a home center, only 22% said the store represented, to their way of thinking, "the best store in town." Thus, when a competing store offers a characteristic perceived as helpful for a particular type of product desired—a liberal credit policy for the purchase of kitchen cabinets for example—the consumer is easily lured away.

The survey, which tabulated responses only from consumers who spent more than $40 last year on home improvement projects, showed that the cost to home centers for customer fickleness can be considerable.

Those consumers who cited a home center as the store at which they shopped most often, spent an average of $2,152 last year on home improvement merchandise. But of that amount, only $773, or some 36%, of the expenditures were made at the home center cited as the one shopped most often. The remainder of the expenditures were made at other home centers, or at hardware stores, discount stores, Sears or other mass merchandisers, or specialty stores.

Furthermore, only 59% of survey participants said that a home center was their most-shopped store when it came to home improvement items. Of the other participants, some 15% cited a hardware store, 14% cited Sears, and the remainder named specialty stores, discount outlets or mass merchandisers.

Consumers who shopped

(Continued on page 24)

Why DIYers play the field

"How would you rate the store you shopped at most often compared to others in town?"

All customers	Best in town?* Yes 23%	Best in town?* No 77%
Of customers who shop most often at . . . Home Centers	22	78
Hardware stores	26	74
Sears	27	73
Specialty stores	23	77
Discount stores	10	90

*Customers were asked to rate the store they shop at most often on a scale of 1-9, which 9 equaling the best.
"Yes" answers are per cent of shoppers who rated the store they shop at most often as a nine.

Source: Leo J. Shapiro & Assoc. for *National Home Center News* © 1985

Competition for the sale of home improvement supplies and materials is driven by a feeling on the part of consumers that even the store they shop at most often is not the best store in the market at which to buy home improvement products.

Various factors lure fickle DIY consumers

(Continued from page 20)

most often at stores other than home centers for their home improvement products cited reasons that provide home centers with insight into how the competition is playing off their weaknesses.

Hardware stores were clearly favored because of their convenient location and availability of salesmen. Of those who cited hardware stores as their most commonly shopped outlets, some 65% cited location as the primary reason. Of consumers who shopped most often at home centers, only 50% cited that characteristic as the main reason.

The availability of salesmen was cited as the most important attraction by 21% of those who shopped most often at a hardware store, compared with 11% of those who shopped most often at a home center. Knowledge of the salesmen on a personal basis was also a clear advantage at hardware stores. Some 11% of consumers who shopped most often at a hardware store did so primarily for the salesmen they knew there; the comparable figure for home centers was only 2%.

Sears has attracted its shoppers for other reasons. Of those who said they shop most often at a Sears, some 29% cited product guarantees as the most important attraction, while 27% cited product quality and 16% cited credit availability. For those shopping most often at a home center, the comparable figures were 2%, 8% and 2%.

Finally, K mart clearly attracted its most frequent shoppers by price. Some 59% of those buying home improvement items most often at K mart cited price as the main reason; only 45% of those shopping most often at a home center cited that reason.

Despite the niches that alternative retailers have managed to carve out for themselves, participants in the survey exhibited a regard for the home centers in their markets. Even a majority of those who shop most frequently at a store other than a home center, named a home center as at least their second choice.

For example, of the 15% of consumers who shop most often at a hardware store, some 53% named a home center as their second choice. Home centers were also named as second choices by 63% of those who shop most often at Sears, 57% of those who shop most often at discount stores, and 66% of those who shop most often at other home centers.

Home center is No. 1 alternative

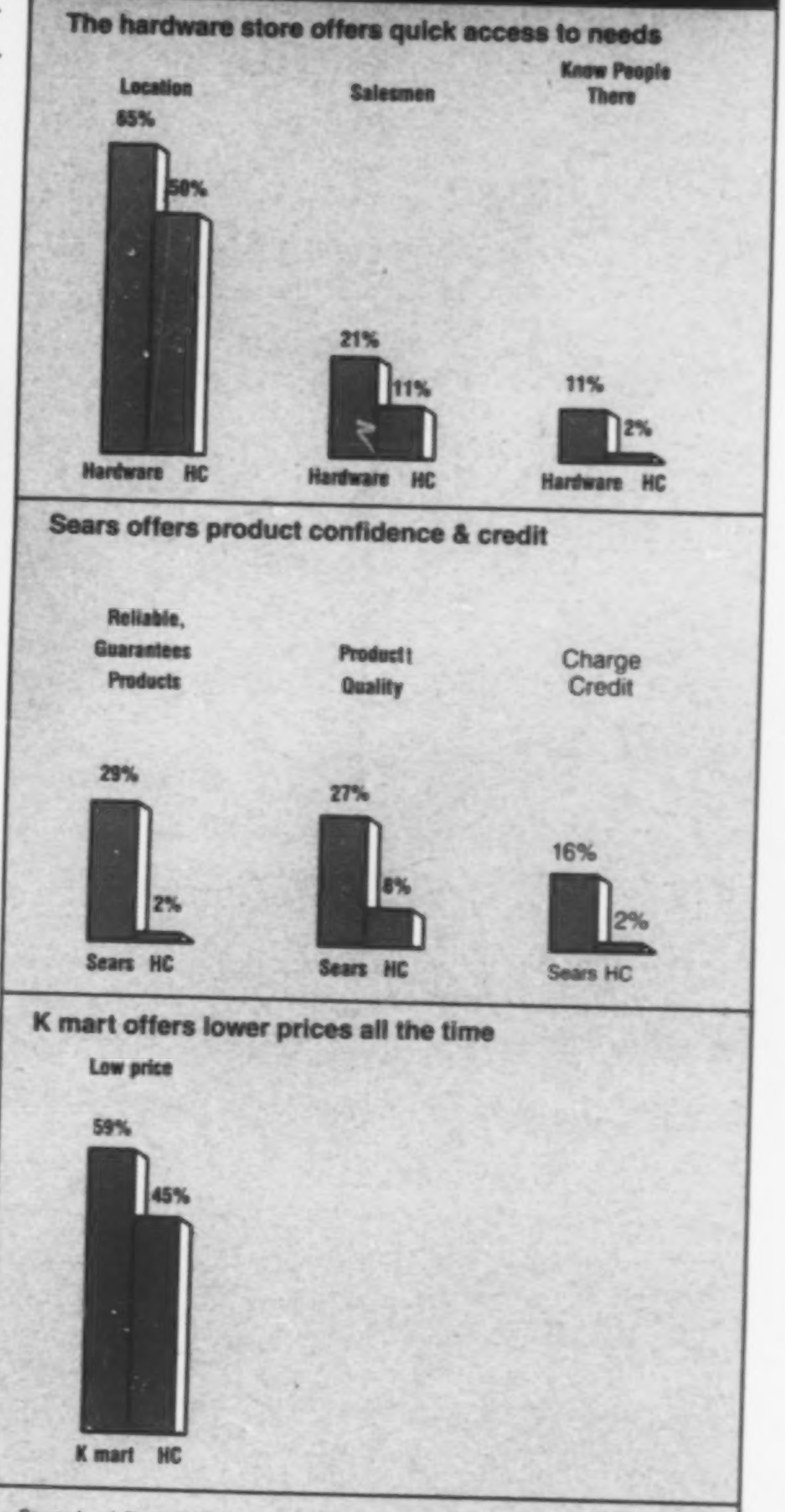
"If you went to another store than the one shopped most often, which would it be?"

	Home center	Hardware	Sears	Discount store	Specialty store
All customers	62%	10%	8%	5%	4%
Home center customers	66	8	8	6	3
Hardware customers	53	16	14	4	5
Sears customers	63	10	—	4	5
Discounter customers	57	5	9	11	5

Source: Leo J. Shapiro & Assoc. for *National Home Center News* ©1985

While only 59% shop most at a home center, 62% say they would go to a home center (or to another home center) as an alternative to the store they shop most.

How competitors live off weaknesses of home centers



Source: Leo J. Shapiro & Assoc. for *National Home Center News* ©1985

The hardware store occupies a niche in the market by virtue of location and personnel, while Sears holds its place through product quality and its credit card. K mart competes on price.

Locations, prices, variety draw shoppers to home center stores

NATIONAL REPORT — Whether by chance or design, home centers have carved niches for themselves by presenting qualities that lure restless consumers.

In a survey conducted for *National Home Center News* by Leo J. Shapiro & Assoc., Chicago, consumers who spent over $40 on home improvement projects last year, and who indicated that the store they shopped most often for such merchandise was a home center, were asked why they selected that store.

Nationally, virtually half said location was one of the main reasons they shopped at the store. More than 2 out of 5 participants also said that prices, or a wide variety of products on the shelves, were also primary attractants.

Participants were also drawn to their favorite home centers for other reasons that were cited far less often. For example, 11% of shoppers participating in the survey said that a knowledgeable, helpful store staff was one reason they were drawn to the store they shopped most often. Fewer than 1 in 10 of participants cited either good sales promotions, or product quality, as determining factors in their decisions.

About 1 of every 20 participants cited fast service as a drawing card. A few of the consumers mentioned the availability of a credit program, or the fact that they knew the store operators for years.

Consumers in the Sunbelt seemed to feel that store location was the most important factor in their decisions concerning what stores to shop. This factor was cited as the No. 1 attraction by those in Houston, Phoenix and San Bernardino, Calif.

On the other hand, participants in Columbus, Ohio, and Chicago said that prices were the most important reason for selecting their favorite store.

On Long Island and in Chicago, product variety was the second most often cited attraction to participants' favorite stores, while store location came in third. This may reflect the fact that many of the participants were loyal to older stores in what is essentially a mature market, and shopped such stores without regard to their location.

In Virginia Beach, Va., merchandise variety was cited as

(Continued on page 52)

How home centers make a statement in certain areas

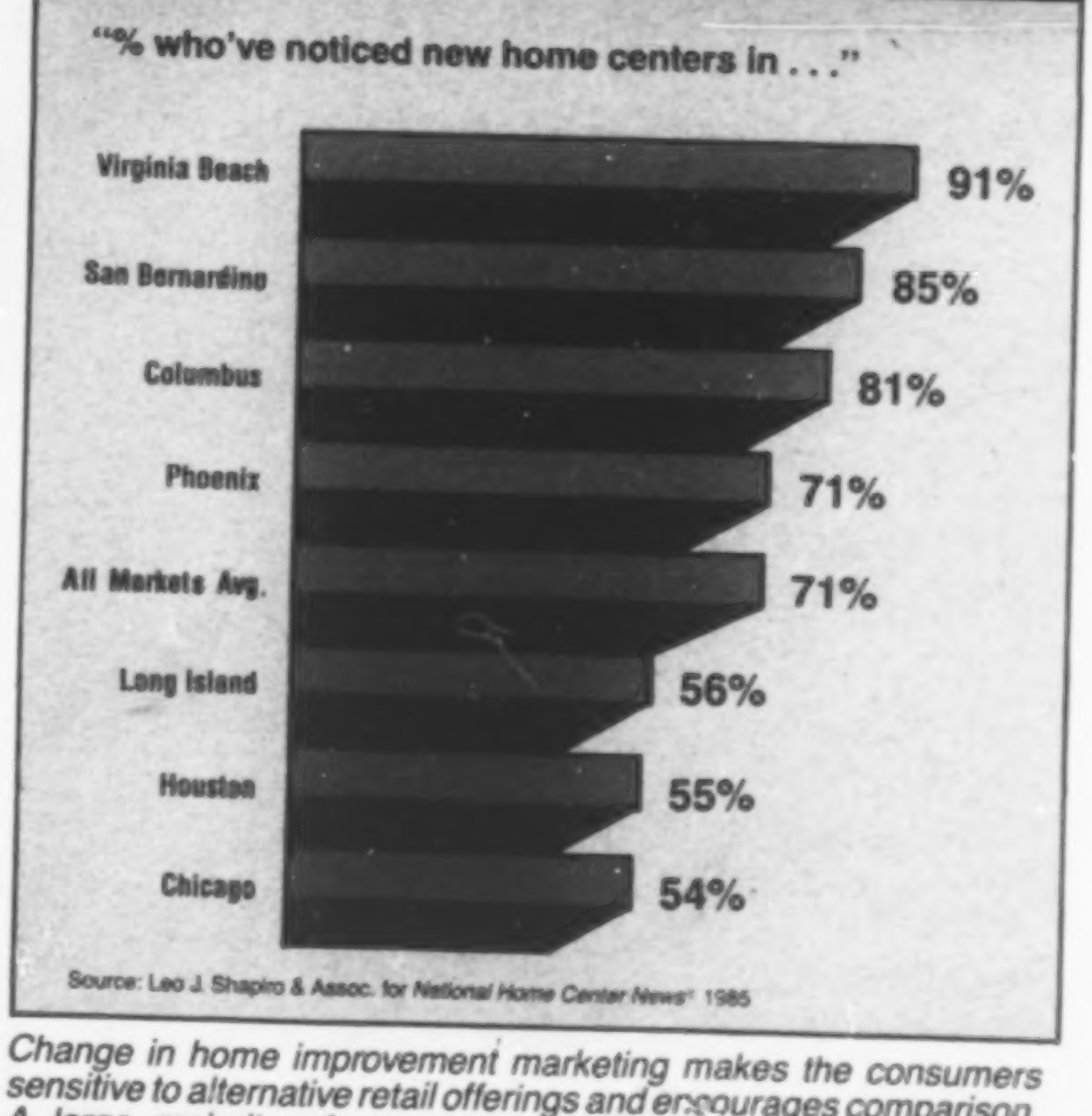
Chain	Market	Location	Low price	Variety	Sales staff	Product quality	Sales promo	Service	Credit	Easy to shop	Good hours
Angel	**Phoenix**	■									
Central	**Columbus**		■					■	■		
Furrow	**Columbus & Houston**		■		■	■					
Handy Dan	**Houston**	■						■			■
Hechinger	**Virginia Beach**			■	■		■			■	
Home Depot	**Phoenix**		■	■			■				
Mr. HOW	**Virginia Beach & Columbus**		■	■	■			■			
Ole's	**San Bernardino**	■					■				
O'Malleys	**Phoenix**	■			■	■			■		

Shaded areas indicated where store was recognized by shoppers as being superior relative to other home center stores in that market.

Source: Leo J. Shapiro & Assoc. for *National Home Center News*© 1985

The way home centers position themselves in a market is dependent on just four or fewer areas, ranging from Angel's where store locations give it a competitive edge, to O'Malleys, Hechinger and Mr. HOW, each of which offer a combination of strengths. All these chains may have generated high response rates for other features, but only those where the chain had superiority are highlighted here.

Home centers on the move



Source: Leo J. Shapiro & Assoc. for *National Home Center News*© 1985

Change in home improvement marketing makes the consumers sensitive to alternative retail offerings and encourages comparison. A large majority of consumers—particularly those in Virginia Beach—say they are aware of new or remodeled home centers in their markets.

DIYers comb ads of home improvement stores

NATIONAL REPORT — The consumer's appetite for home improvement ads is so strong that a recent study revealed that 8 out of 10 people spent time reading the ads, in fact, spending a mean average of seven minutes.

These findings are part of a research report prepared for *National Home Center News* by Leo J. Shapiro & Assoc., Chicago.

The report surveyed 1,848 people in seven key retail markets—Houston, Chicago, Phoenix, San Bernardino/Riverside, Calif., Columbus, Ohio, Virginia Beach, Va., and Long Island, N.Y. It attempted to gain insight into the customers residing in these competitive markets.

The survey revealed that the consumers in these seven markets like to see home improvement ads often, in multiple pages and in print form to provide them with sales and price comparison information.

"Consumers are alert to advertising because they are not connected to the best store in town," the survey noted. Home center customers are not loyal to the retail establishments in their communities and comb the ads often and deliberately for sales and product information to help them make their buying decisions. Typically, they are comparison shoppers who want a steady flow of information, presented completely, the study concluded.

The trends revealed in the survey were generally well received by advertising directors of six home center companies interviewed for this story: Builders Square, Scotty's, O'Malleys, Fagen's, Star Lumber and Lowe's, although all commented that they were surprised consumers reported spending so much time reading their ads.

"It seems like a lot, like a long time," commented Bob Fant, advertising and public relations director at Scotty's. "But it's great."

Fant also asserted that the overall results of the survey "could be extrapolated nationwide."

Jud Walford, executive vp at Builders Square, said although he "can't say if they [the results] relate to other markets [it does have] broad implications."

The survey, which was conducted in March, revealed that consumers spent a mean 6.9 minutes reading home improvement ads the week before they were polled. Residents of Virginia Beach spent the most time reading ads, 9.6 minutes. Residents of Columbus and Chicago spent the least amount of time, six minutes.

Virginia Beach residents also are the most demanding for information. Fifty-seven per cent of those polled said they want to see home improvement ads once a week, compared to the cumulative average of the seven cities which resulted in 53% of the people wanting to see the ads weekly.

Only 47.8% of the people in Houston reported wanting to read the ads once a week. A large percentage of them, 20.3%, said they only want to read the ads once a month.

The survey revealed, however, that 2 out of 3 people want to see the ads weekly and that less than 5% are satisfied with seeing ads less than once monthly.

The main benefit of reading the ads was heavily weighted on sales and price: 52% said they want to see what's on sale and get the actual sale price and 29% responded that price comparisons and considerations are important. Another 22% said product information is important to them.

"People want to see what you've got and how much it costs. It's price, price, price, then selection," said Perry Steinhoff, advertising manager at O'Malleys of Phoenix.

And, it is in Phoenix where residents are most motivated to read ads for sales information, 43.9%, according to the survey.

But is is in Columbus and Virginia Beach where 9 out of 10 responsents noted they are most driven by sales and price.

Consumers responding to this survey reported that a four-page ad most helps them make their purchase decisions. The retailers commented that the number of preferred pages is not the important fact here. What's important, they say, is that consumers want multiple pages of ads.

"We're convinced people want to see what you have and what you charge for it," said Fant of Scotty's. The Florida chain distributes a 48-page catalog once a month in addition to its weekly ROP ads "because we feel our customers want to see the broad expanse of our merchandise."

According to the survey, "seeing" the ads in print is preferred by 9 out of 10 of the respondents, and coincides to where retailers spend the bulk of their advertising dollars.

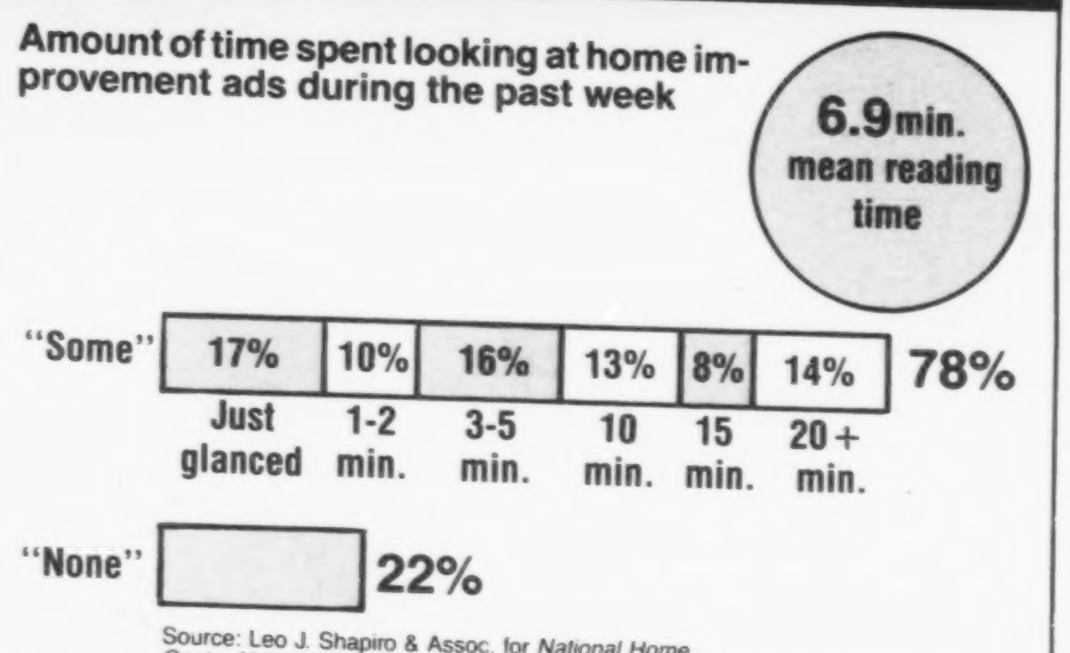
Most, about 55%, report preferring newspaper advertising to those ads sent through the mail directly to their homes. But mail ads are preferred by about a third of the respondents, another surprise for the home center retailers.

Dave Gregory, advertising and public relations manager for Star Lumber of Wichita, Kan., said he always thought people "hated junk mail." Star Lumber, however, started mailing circulars directly to homes this year to help them "get to the nonsubscribers," he said.

In addition, respondents in San Bernardino said they, too, prefer getting their ads through the mail, mostly because they may not read the newspaper.

Although Americans are in love with the television for most every kind of entertainment, news and advertisements, they don't find home improvement ads helpful to them on TV. Only a third of the respondents reported feeling there is a benefit at all to home improvement ads appearing on TV.

DIYers depend heavily on advertising



Source: Leo J. Shapiro & Assoc. for *National Home Center News* © 1985

Most people are making a point of reading advertising from home improvement retailers. In the week prior to the survey, nearly 8 out of 10 did so, spending a mean reading time of nearly seven minutes.

If Koppers wood protection experts had been on hand then, would the Trojan Horse still be around now?

That would have been a pretty tall order, even for a company that claims to be "The Wood Protection Experts." But Koppers has earned the claim by:

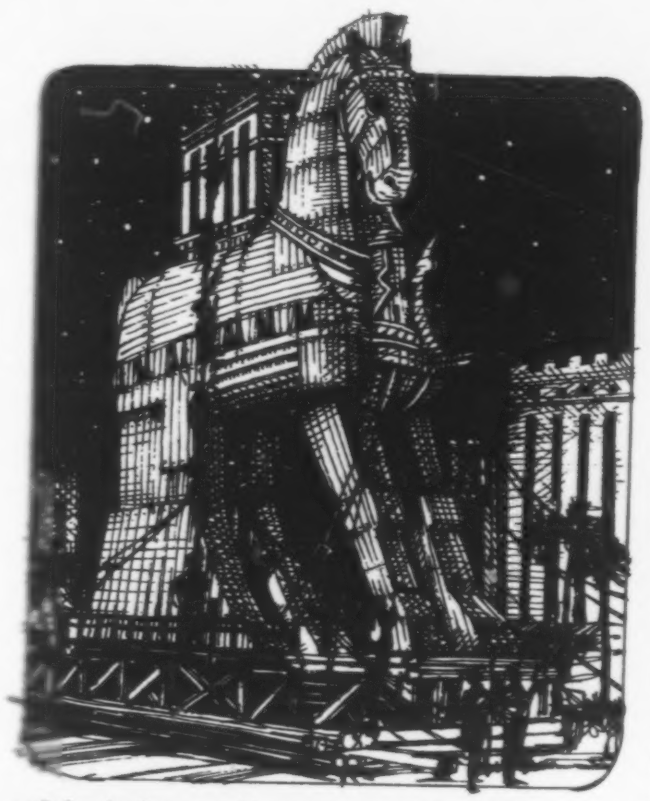
- Accumulating 50 years of experience in protecting wood on five continents, under diverse climatic conditions, in a wide variety of applications.
- Developing and utilizing the world's best known and most widely used process for pressure-treating lumber.
- Maintaining and operating one of the largest wood protection research facilities in the industry.
- Providing builders of commercial, industrial, institutional and residential structures with a new line of water repellent, stains and such timely products as penta-free wood preservatives and fire retardant treated wood.

Koppers has also been a leader in the marketing of treated wood:

- Pioneering the promotion of pressure-treated wood to home handymen.
- Becoming the first company to put its brand name on the first labels ever attached to treated wood, then guaranteeing that wood against damage from termite attack and decay for 30 years. In writing . . .

While Koppers experience stretches back a long way, we did not exist during the heyday of Troy. Still, we immodestly believe that if Koppers had been around when the Greek masterbuilders were taking on their historic outdoor building project, they would have undoubtedly called on The Wood Protection Experts to help maintain their monument to ingenuity.

After all, professional builders and do-it-yourselfers of today call on Koppers when they want reliable information on protecting wood. So do the editors of the magazines they read. And the writers of newspaper columns and home handyman books. And researchers in forestry and preservation chemistry from some of the world's leading universities. Even the EPA and other government agencies have asked us for test reports and informed judgements.



Now it's time we got down off our high horse and told you just how Koppers came to develop a complete new line of Wolman® Wood Protection Products for surface treatment of pressure-treated and non-pressure-treated wood.

Since the early seventies Koppers personnel have conducted dealer training seminars and deck clinics from coast to coast. Audiences were told they didn't have to paint or stain or spread water repellents on their Wolmanized® pressure-treated decks, fences and outdoor furniture.

However, many people wanted to color the wood to complement their home. Or they wanted extra protection against moisture.

Or, if they had redwood or cedar siding or a project built of non-pressure-treated lumber, they wanted stains and water repellent and wood preservative products of the same high quality they associated with Wolmanized® wood.

Today, Koppers is making surface preservatives and coatings that quality-conscious customers have requested. They aren't cheap products, but they are the best.

The market for building materials and their surface treatments is growing — both among professionals and do-it-yourselfers. Users are becoming more knowledgeable and demanding better product performance.

Koppers strategy is to expand its involvement in the building materials field, and to do so by supplying additional wood protection products through quality-minded distributors and dealers.

As Wayne Simkins, Manager — Wolman Wood Protection Products, puts it: "When we call Koppers 'The Wood Protection Experts,' it's more than just a slogan. It's our company's whole marketing philosophy. We have made a pledge: There will be no better product in the marketplace."

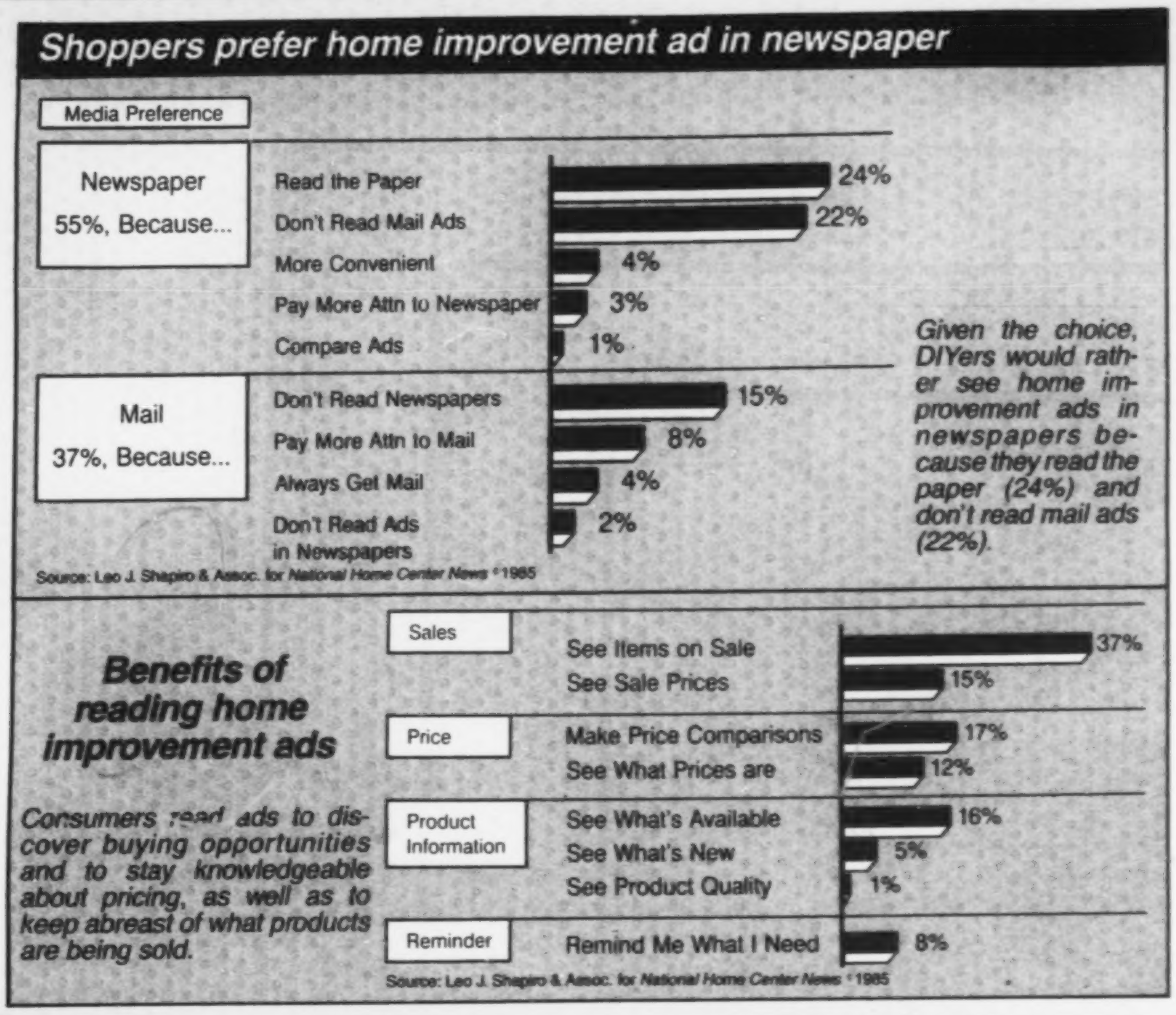
But could The Wood Protection Experts have helped the Greeks preserve their Trojan horse for ages to come?

"Not only could we have preserved its structural integrity," says Simkins, "but we could have created it in any one of 21 long-lasting colors."

Wolman
Wood Protection Product

The Wood Protection Experts

Polled DIYers prefer ads in the newspaper over any other media



Given the choice, DIYers would rather see home improvement ads in newspapers because they read the paper (24%) and don't read mail ads (22%).

Consumers read ads to discover buying opportunities and to stay knowledgeable about pricing, as well as to keep abreast of what products are being sold.

Source: Leo J. Shapiro & Assoc. for *National Home Center News* ©1985

NATIONAL REPORT — Newspaper advertisements are the most effective medium for reaching the DIYer, consumers revealed in a recent survey conducted for *National Home Center News* by Leo J. Shapiro & Assoc., Chicago.

When asked, "Should this [ad] information be put in the newspaper or should the store mail it to you?" about 55% of the respondents in seven key home center markets said newspaper is their preferred medium.

Advertisements delivered through the mail were preferred by about one-third of those surveyed.

Television advertising was also the choice of about one-third of those polled.

The Newspaper Advertising Bureau reported that $600 million was spent on newspaper ads for building materials, hardware and farm equipment last year, a 5.6% increase over 1983. This year, the NAB is expecting a 9% increase for all segments of retailing including this category.

Although seven retailers interviewed for this story agree that newspaper is the dominant advertising medium in the industry—with most saying it is the focus of their ad budgets—none of them rely entirely on it to satisfy their advertising objectives. In fact, many retailers reported that their ad budgets vary by market and can change often, sometimes every month.

"How you get into the home is not as important as getting it there," asserted Bob Fant, advertising and public relations director at Scotty's, the 114-unit retailer based in Winter Haven, Fla.

"Keeping your name in front of the consumer" is what's important, added Jack Fagen, president of Fagen's a 14-unit retailer located in Verona, Pa.

Most of the seven retailers noted that their ad budgets are divided into two major categories, print and broadcast. Specific classifications fall under one of the two groups.

According to the *NHCN*-Shapiro survey, 9 out of 10 said they prefer print advertising to broadcast for home improvement products because they like to spend time reading over the ads and make products/price comparisons with other retailers.

Although newspaper was the preferred medium, the retailers noted that the acceptance level for direct mail advertising was surprisingly high, and a welcomed piece of information because they are beginning to use more of that method than ever before.

Respondents in San Bernardino/Riverside were most in favor of direct mail advertising. In the other six cities, acceptance for direct mail ads was about one-third. Chicago residents were the least enthusiastic.

Residents of Virginia Beach overwhelmingly prefer newspaper ads to direct mail ads.

San Bernardino residents, however, said they prefer mail ads because they either don't read or get the newspaper.

"We knew we had to get to the nonsubscriber," declared Dave Gregory, advertising/public relations manager for the three-unit Star Lumber of Wichita, Kan.

He said he increased his mail circular count to 26 this year from "zero" last year. Gregory's entire ad budget was increased 50% this year and "almost all of it went into print and most of that went into an extra number of circulars," he said.

Fagen said 70% of his company's ad budget is reserved for direct mail ads because "it is the most cost efficient and enables you to zero in on a market area that you can best serve."

Perry Steinhoff, advertising manager for O'Malleys, the 13-unit company based in Phoenix, noted that 90% of his ad budget is earmarked for print with a portion of that going to direct mail. He said he has been using direct mail circulars in El Paso, Tex., with "unbelievable success." The large Hispanic population may not receive the paper, he said, "but they do get the mail."

DRUM UP MORE PROFITS!

Stock the Wolman® Wood Protection Products that come in a can and give all the wood you sell a fighting chance out there.

Now you can drum up more sales—and step up your profits—by selling and cross-selling your customers wood protection quality inside and out.

We're talking a complete line of Wolman® wood coatings—alkyd-based Wood Stains, penta-free Wood Preservatives, and RainCoat™ Water Repellent—all from the same wood protection experts who developed Wolmanized® pressure-treated lumber.

A Name They Know And Trust

Your Wolmanized wood customers will like these products because they offer Wolman protection on top of Wolman protection.

Your untreated wood customers will know and trust the Wolman name when it comes time to choose the one wood stain, water repellent, or wood preservative that will give their out-of-doors project a better-than-fighting chance against moisture and decay.

These Wolman surface treatments not only feature award-winning packaging designed to invite exciting cross-merchandising opportunities they will be showcased in leading home do-it-yourselfer magazines and further promoted at regional and national trade shows.

More Selling Support Is Yours For The Asking

There's also a wide range of literature and point-of-purchase displays and shopper-stopping materials available to dealers who request them plus traffic-building ad slicks, radio scripts, and billboard posters.

Wolman Wood Protection Products are available through distributors. For information and the name of your nearest distributor, contact Koppers Company, Inc., 1900 Koppers Building, Pittsburgh, PA 15219

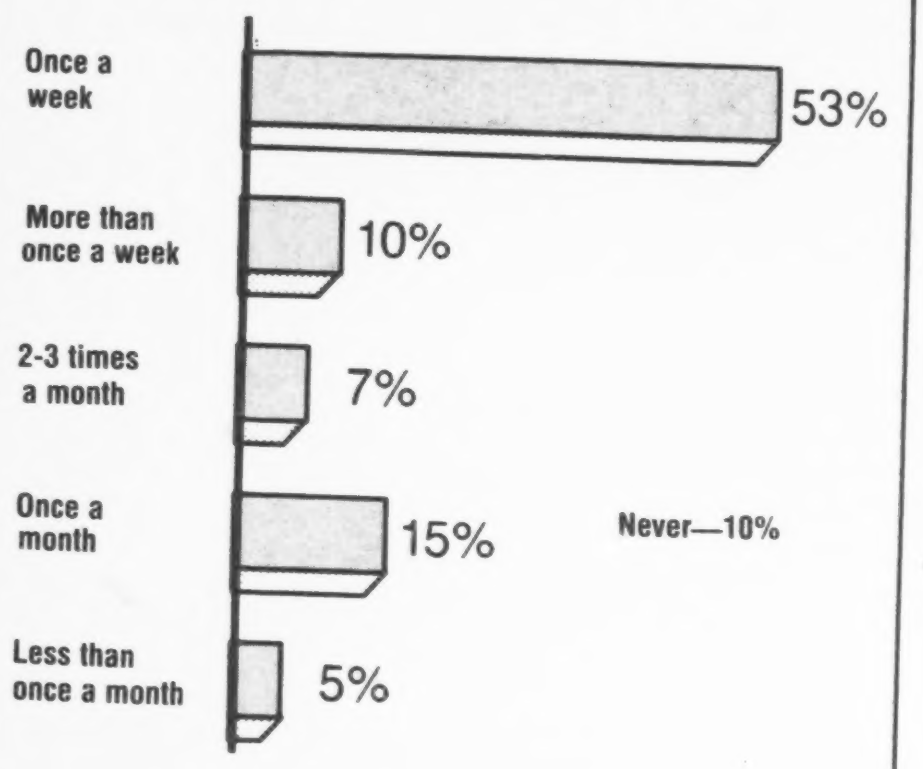
Wolman® Wood Protection Product

The Wood Protection Experts

NHCN's 1985 Consumer Attitude Survey

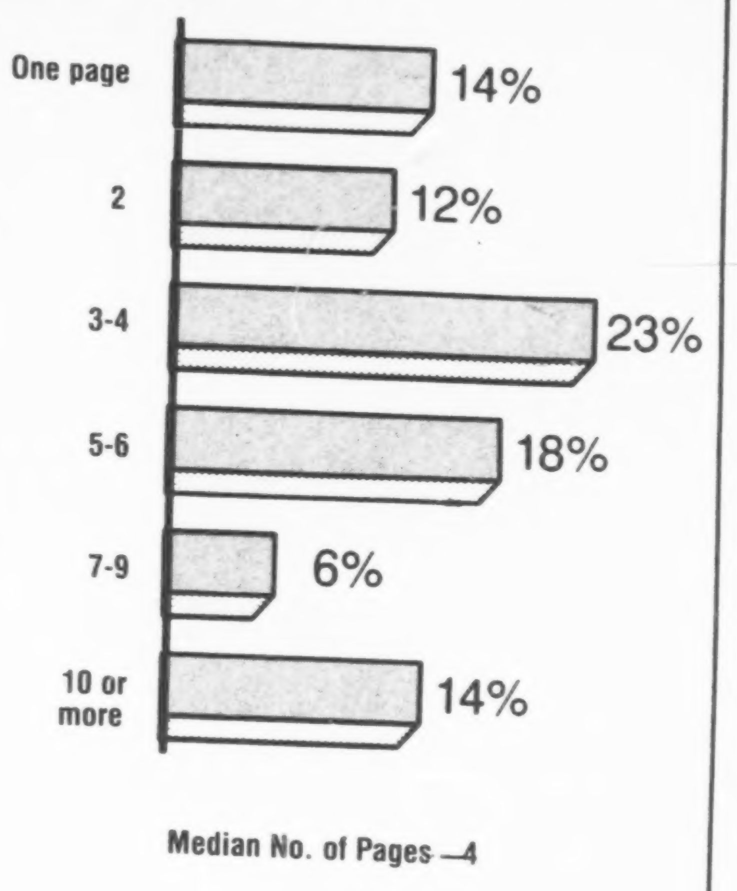
Gauging shoppers' appetite for home improvement ads

"How often consumers want to read home improvement ads"



Advertising is seen as a weekly requirement. Nearly 2 out of 3 consumers want to read home improvement advertising ads weekly. Only 5% are satisfied to read home improvement ads less than once a month.

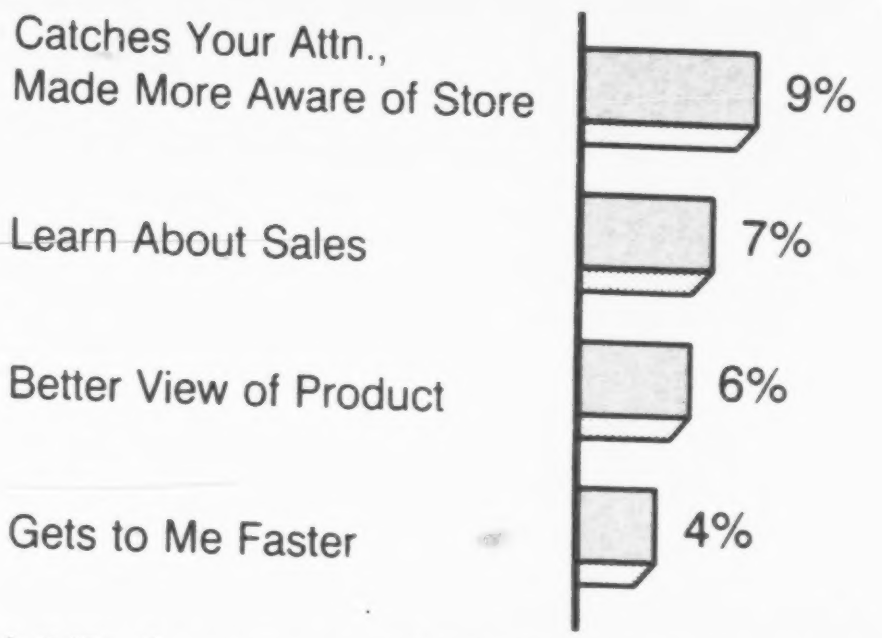
"Number of pages ad should be to be really helpful"



Most consumers do not feel a one-page ad is sufficient. The median number of pages desired for an ad to be really helpful is four pages.

The benefit of television

"If ad reached you on TV, what benefits would there be?"



Only 34% of consumers surveyed felt there is some benefit to home improvement advertising seen on television. This medium makes it possible to portray what home improvement stores are like and what products they sell.

TV not considered very helpful

NATIONAL REPORT — Television is not considered a helpful medium for home improvement advertising, according to consumer responses in a recent survey conducted for *National Home Center News* by Leo J. Shapiro & Assoc., Chicago.

Only 34% of the respondents in seven competitive home center markets said television ads were beneficial to them.

Respondents in Virginia Beach, Va., gave TV the highest benefit rating of all seven markets surveyed. Almost 40% saw a benefit compared to 30% in Chicago.

Residents of these markets said TV ads are beneficial to them because it catches their attention and makes them more aware of sales and stores.

According to the Television Bureau of Advertising, TV is being used by a growing number of home center retailers, mostly chains.

Joe DiRocco, vp-marketing and advertising for Orchard Supply Hardware, the 18-unit San Jose, Calif.-based retailer, said TV ads for home improvement products may have a low acceptance rate among consumers because "the medium hasn't been properly used. It's a pioneer market [but] it is becoming more sophisticated."

When used, TV "spots" are typically 30 seconds long. They are employed for grand openings, big sales and to highlight a particular company service, such as the credit card and a new or special department.

The target audience is male, between the ages of 25 and 50, most retailers reported.

Several retailers noted that the 30-second time spot is not long enough to make their pitch nor does it allow them to effectively present price, product and selection. "You're not going to get a stampede of people who have seen your ad," remarked Dave Gregory, advertising/public relations manager at Star Lumber, the three-unit retailer based in Wichita, Kan.

The barrier to greater use of TV, retailers report, is money. "If money were not unlimited, we'd use everything possible," declared Bob Fant, advertising and public relations director at Scotty's. "Television has its place in retailing, including home center retailing, but where money is not unlimited."

This sentiment was echoed, by several retailers, including Perry Steinhoff, advertising manager at O'Malleys, who said the Phoenix-based retailer doesn't do any TV advertising and hasn't done any since May 1982. "Within the framework of our budget we can't do an effective job on TV. We're trying to make our money go farther," he explained.

For companies like Lowe's, the industry's leader in total

(Continued on page 52)

We work hard to make your customers happy.

We make it easy for people to buy Clopay.

With high fashion packaging that communicates quality, features and benefits.

We make it easy for people to install Clopay.

With products and instructions that have been successfully pretested with consumers.

We make it easy for people to call us for assistance or information.

With a toll-free 800 number.

We make it easy for people to know about Clopay products.

With advertising in leading consumer magazines and on TV.

We work hard to make customers happy. Because happy customers mean repeat business for you.

Clopay
Install with confidence.
1-800-543-0307

24"x42"
Clopay
Fashion Pleated Blind

Exploiting the weaknesses of Sears

% rating Sears not best for . . .

MOST ATTRACTIVE OPPORTUNITIES for competition to exploit:	
Prices	71%
Choices of brands	61%
Sales/specials	54%
Merchandise depth	52%
Convenient to get to	52%

LEAST ATTRACTIVE OPPORTUNITIES for competition to exploit	
Returning/exchanging goods	29%
Quality merchandise	34%
Easy to shop there	41%

Source: Leo J. Shapiro & Assoc. for *National Home Center News* ©1985

For Sears, return policy and product quality are not very often rated as less than the best in town. Sears is not vulnerable on these points. However, of consumers who rate Sears as the best home improvement store in town, 71% say it does not have the best prices and 61% say it does not have the best choice of brands. These are vulnerabilities open to competitive attack.

Exploiting the weaknesses of home centers

% rating home centers not best for . . .

MOST ATTRACTIVE OPPORTUNITIES for competition to exploit:	
Charge/credit accounts	57%
Choice of brands	47%
Sales/specials	45%
Prices	45%

LEAST ATTRACTIVE OPPORTUNITIES for competition to exploit:	
Easy to shop there	29%
Returning/exchanging goods	30%
Variety of merchandise	33%

Source: Leo J. Shapiro & Assoc. for *National Home Center News* ©1985

Home centers are most vulnerable to competitors in the area of charge accounts and credit. They are also vulnerable to retailers who offer superior brand choice and promotions. A retailer who invests in store layout, an exchange policy and product variety is likely to have less success taking customers away from home center stores.

Weaknesses offer shot to capture market share

NATIONAL REPORT — Whether a consumer shops most often at a home center, a hardware store or a Sears, he tempers his enthusiasm about the store with reservations about the weaknesses his favorite outlet possesses.

These perceptions of weakness offer the home center chain contemplating invading a new market the opportunity to provide a service the competition lacks, in order to capture market share.

A survey conducted by Leo J. Shapiro & Assoc. for *National Home Center News* reveals the weaknesses consumers most often assign different categories of stores.

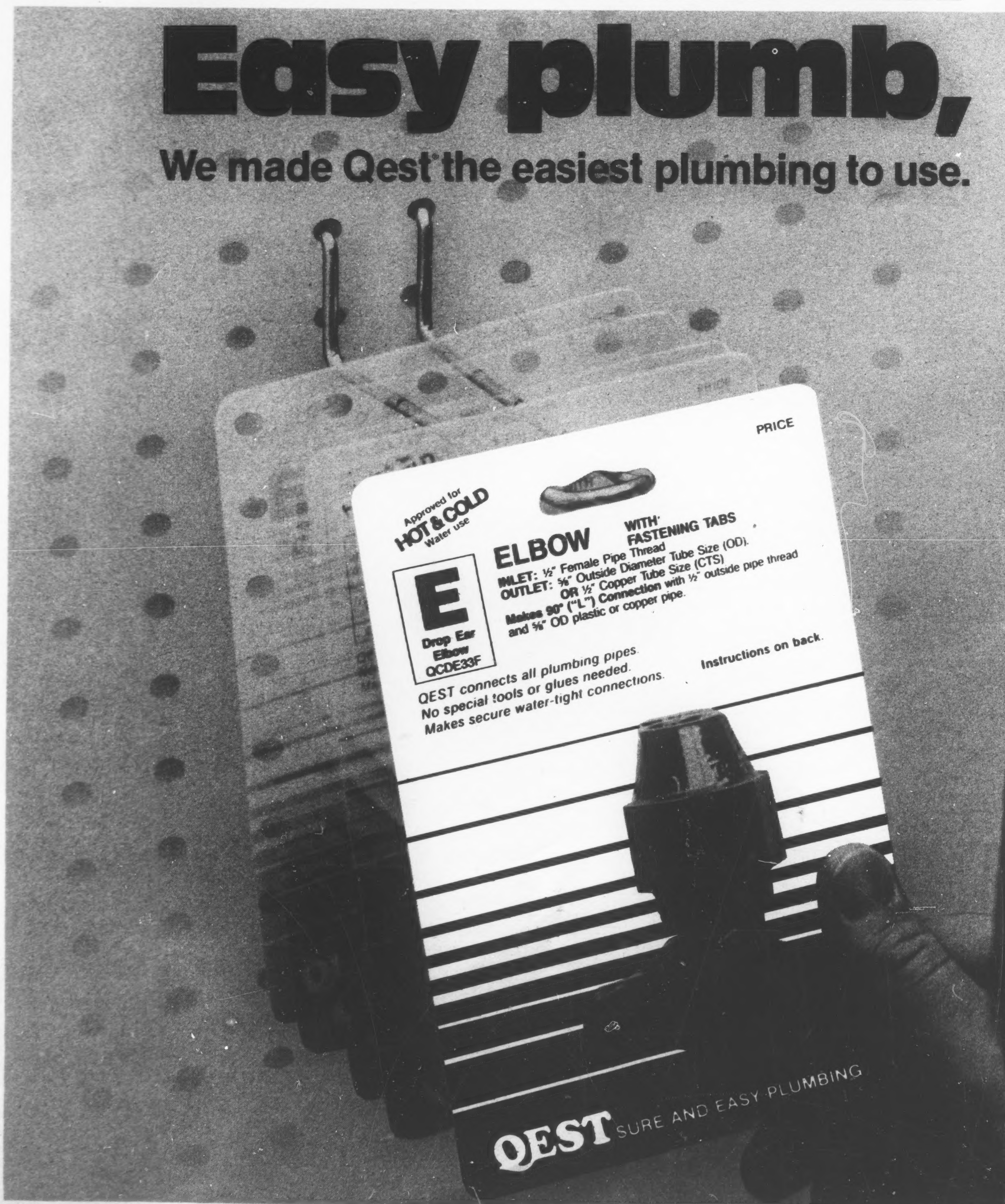
By far the most common shortfall of home centers was in the area of credit accounts. Some 57% of consumers who said a home center was the best store in town, also said the home center was not the best store for charge accounts. As a result, home centers contemplating moving into a market where other home centers are already established may find that an investment in a store credit program is the best way to compete.

Nearly 1 of every 2 consumers rating a home center as the best store in town also said that the store was not the best for brand choice, specials and prices. Investing in these areas may provide the best results.

As for consumers who said that hardware stores were the best stores in town, about two-thirds said that, again, the stores were not the best in the area of credit policies. Other opportunities for investment by home centers interested in invading a market where hardware stores are already established seem to lie in the areas of advertising, specials, prices and brand choice.

In the case of Sears, the areas of vulnerability are somewhat different. Clearly, Sears is seen as a high-priced source of merchandise. Of those consumers

(Continued on page 31)


Easy plumb,
We made Qest the easiest plumbing to use.
PRICE
Approved for HOT & COLD Water use
ELBOW WITH FASTENING TABS
INLET: ½" Female Pipe Thread
OUTLET: ⅝" Outside Diameter Tube Size (OD). OR ½" Copper Tube Size (CTS)
Makes 90° ("L") Connection with ½" outside pipe thread and ⅝" OD plastic or copper pipe.
E
Drop Ear Elbow
QCDE33F
QEST connects all plumbing pipes.
No special tools or glues needed.
Makes secure water-tight connections.
Instructions on back.
QEST SURE AND EASY PLUMBING

Exploiting weaknesses of hardware stores

% rating hardware stores not best for . . .

MOST ATTRACTIVE OPPORTUNITIES for competition to exploit:	
Charge/credit account	73%
Advertising	68%
Sales/specials	68%
Prices	65%
Choice of brands	53%

Source: Leo J. Shapiro & Assoc. for *National Home Center News* © 1985

Customers who rate a hardware store as the best store in the market overall, rate that store not best on specific attributes such as charges and credits, advertising of sales and specials and overall pricing. Hardware stores are vulnerable to competition in these areas.

Where consumers expect to see line extensions

If the store you shop most had an ad introducing a new department, what would it be?

NON-HOME IMPROVEMENT ITEMS	41% Net
Appliances	9%
Automotive	5%
Food	5%
Clothing	4%
Housewares	4%
Furniture	4%
Carpeting	3%
Patio furniture	2%

HOME IMPROVEMENT ITEMS	41% NET

Source: Leo J. Shapiro & Assoc. for *National Home Center News* © 1985

Consumers can see the offering of their home improvement store extending to nonhome improvement items, most frequently to hard goods including appliances and automotive products. In short, many recognize that their home improvement store can be made more complete.

easy go.

Now we've made it the easiest to sell.*

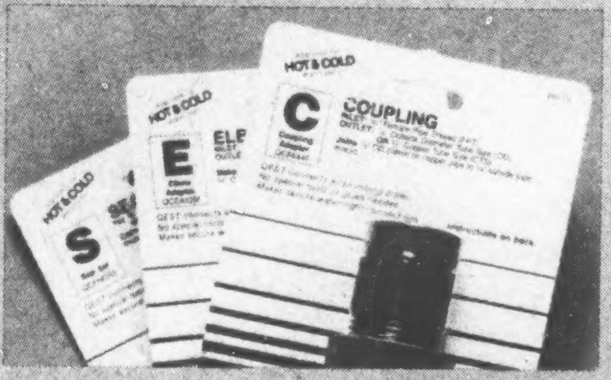
Qest is the undisputed leader in polybutylene plumbing. Proven by plumbers in millions of structures. And by DIYers in major home centers across the country. Now we're introducing a new merchandising program that makes selling Qest a cinch, too!

Packaged for success.

Let's start with our new skin-packed product cards. Bold. Eye-catching. Graphically uniform all the way down to a redesigned coil package that takes up far less space.

Simplified for easy stocking and selling.

For you: simplified inventory and stock control. With an easy-to-read product code printed on the front left-hand corner of every card, along with the Qest model number and part name.

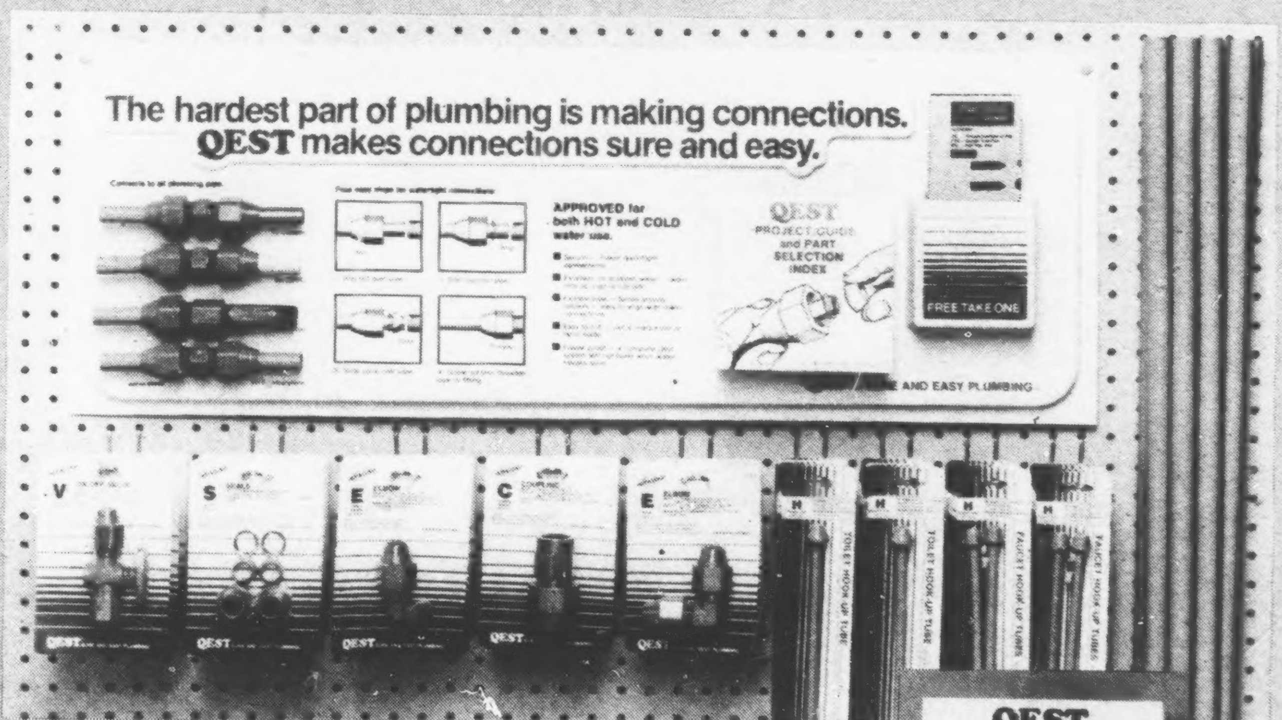


For your sales staff: a system that cuts down on the need for customer assistance. We've replaced plumbers' lingo with common terminology (a 'stop valve' is now an 'on/off valve'). And we've let customers know that all Qest products are approved for both hot and cold water use.

Answers customer questions.

Our merchandising display is designed to answer your customers' most-asked questions about plumbing.

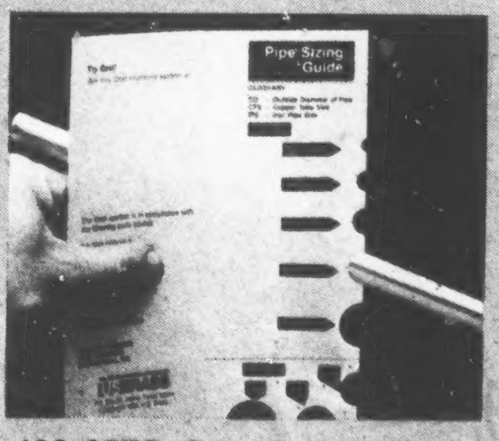
The *header* clearly explains how easily Qest plumbing connects to CPVC, copper, iron and polybutylene pipe. Actual samples show how.



The hardest part of plumbing is making connections.
QEST makes connections sure and easy.
APPROVED for both HOT and COLD water use.
QEST PROJECT GUIDE and PART SELECTION INDEX
FREE TAKE ONE
AND EASY PLUMBING

QEST
PROJECT GUIDE
and PART
SELECTION
INDEX

The *project guide* illustrates the most common installation and repair jobs. How to do them. What's needed. And every part shown is listed and coded to its product card.



A *free "take-home" Pipe Sizing Guide* is also included. It makes sure customers buy the right size fittings and pipe, and explains the Qest system in detail.

Your sales potential analyzed.

What kind of sales potential does our merchandising program have? We can tell you. With a confidential market analysis of your area. Just call Consumer Sales, Mr. Tom Nix, toll free at 1-800-527-4408. In Texas call (214) 423-3576. Or write U.S. Brass Consumer Sales, P.O. Box 37, Plano, Texas 75074 But you better hurry. Or you'll find yourself plumb out of luck.

* Drummer Award Winner 1983
Bird Dog Award Winner 1983

The one best ... plumbing.

A HOUSEHOLD INTERNATIONAL COMPANY

Exploiting weaknesses

NATIONAL REPORT — Do-it-yourselfers indicated in a new survey that they felt their favorite home improvement stores could be made more complete with new departments.

When asked what new department their home center might add, some 41% of responses were in traditional home improvement categories.

However, more than 3 out of every 5 responses mentioned departments not as commonly found in home centers. Appliances accounted for nearly 1 of 10 responses. The departments of automotives, food, clothing, housewares and furniture, when taken together, accounted for 1 out of every 5 responses.

About 5% of responses were either carpeting or patio furniture.

Response percentages totaled more than 100% because some consumers named more than one department. The figures indicated percentages of total consumers participating in the survey.

DIYers seek new depts. in stores

(Continued from page 30)

who said they thought Sears was the best store in town, some 71% said the Sears store was not the best when it came to prices. In addition, over half of such consumers also felt Sears was not the best in terms of brand choice.

About half of consumers choosing Sears as the best store in town also noted that Sears was not the best when it came to convenient location, depth of merchandise, and sales and specials.

Given Sears' heavy promotion of its credit card, it isn't surprising that the survey also showed the chain had a much better image for its charge and credit program.

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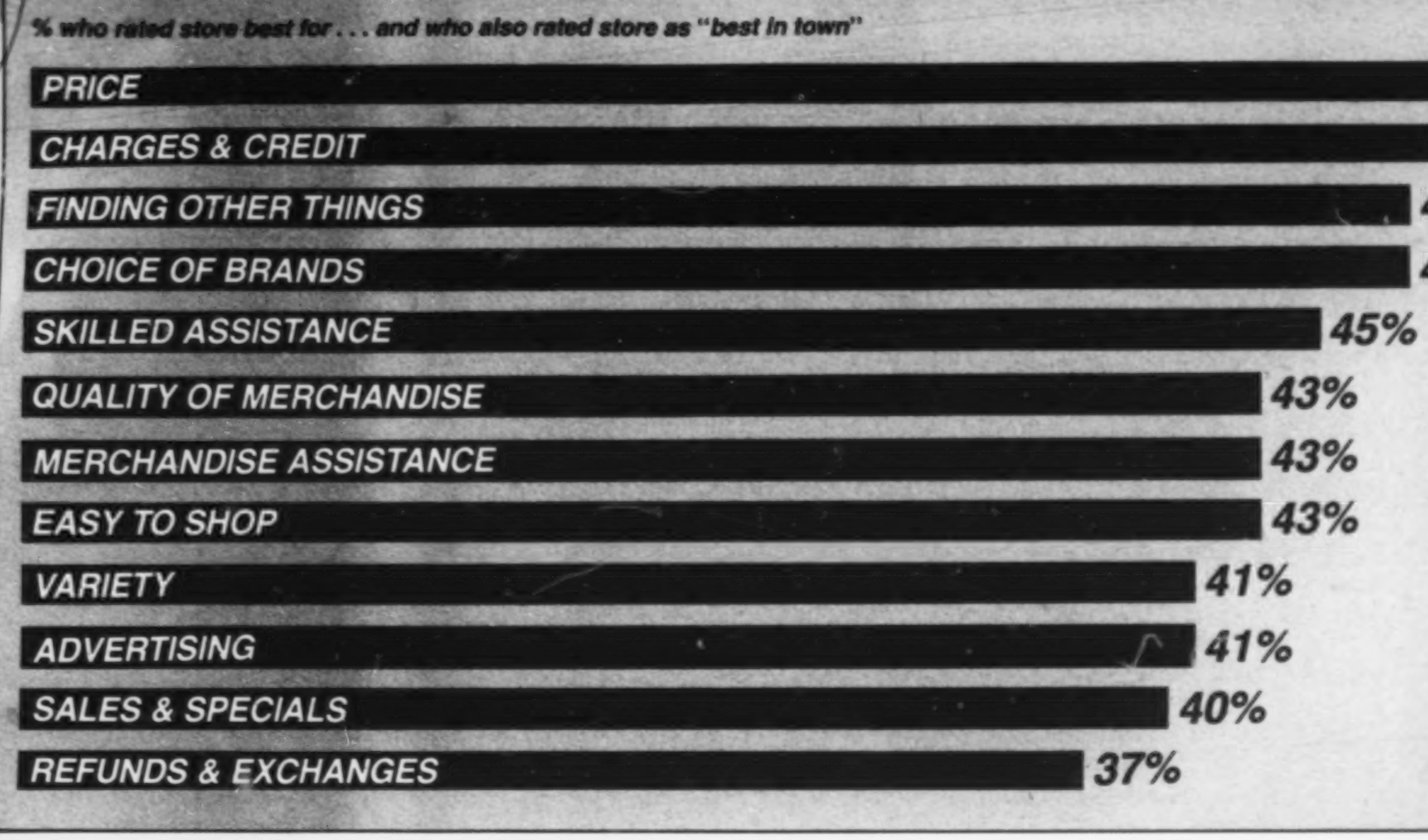
NHCN'S 1985 Consumer Attitude Survey

Investment in excellence helps home centers defend against aggressors



Consumers recognize that the best is not necessarily perfection. Among those who rated the store they shop at as the best store for home improvement items in the market, many rated it less than the best on specific attributes such as PRICE, CHARGES & CREDIT, etc. For example, people who feel that theirs is the best store often can think of some other store that does a better job on REFUNDS OR EXCHANGES. The attribute rated the highest for the best overall store is PRICE, followed by CHARGES & CREDIT.

Low prices, credit key to defense

NATIONAL REPORT — Consumers are sending a clear signal that, if home centers want to defend their turf against aggressors, the weapons most likely to succeed are low prices, an attractive charge and credit program, easily perceived adjacencies and a broad choice of brands.

A poll of 1,482 households conducted on behalf of *National Home Center News* by Leo J. Shapiro & Assoc., Chicago, showed that when consumers think in terms of "the best store in town" for home improvement projects, they most often, assign that store the above attributes.

A low price structure was an attribute assigned by over half of participating consumers to the store they perceive to be the best in town.

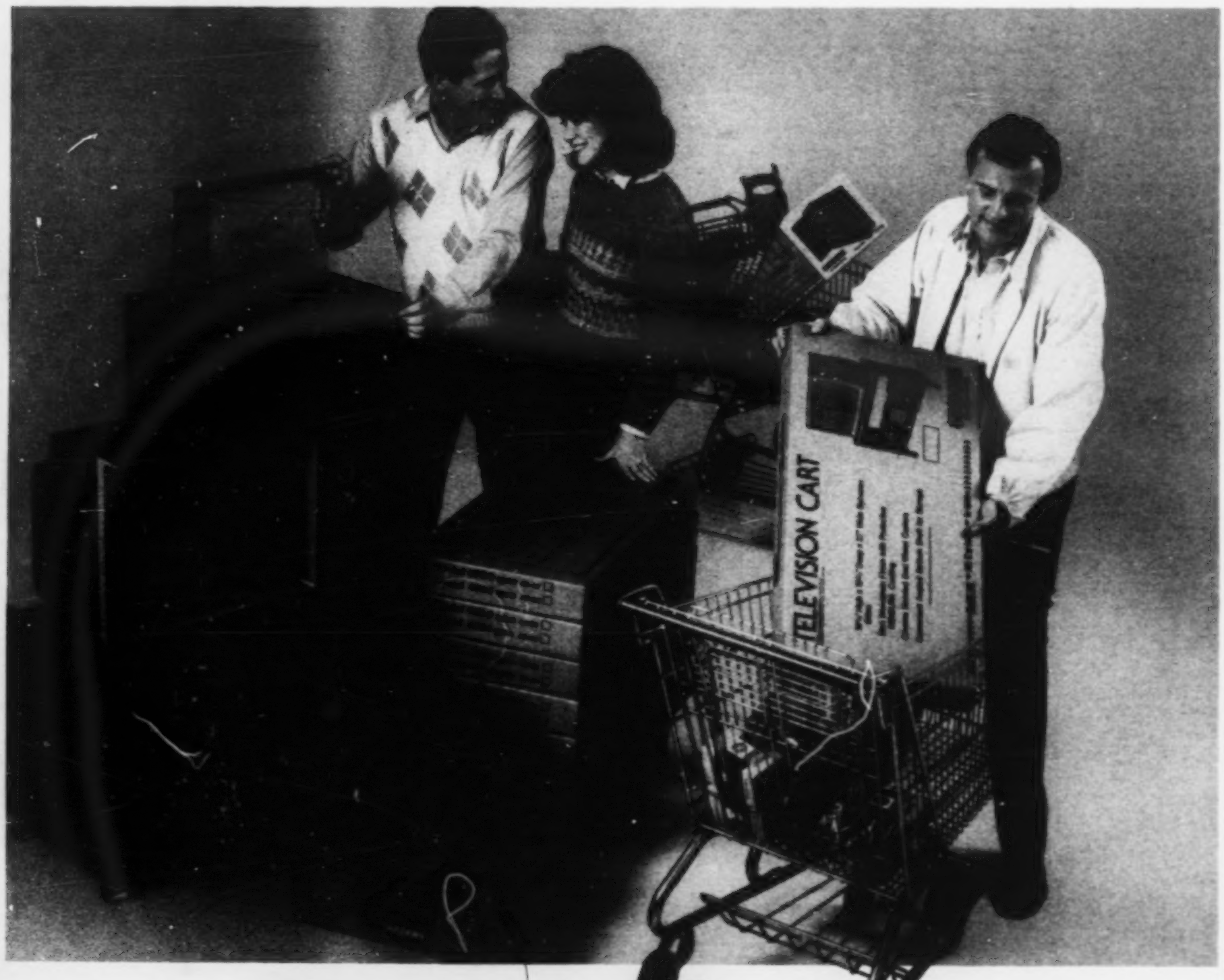
Yet the availability of charge accounts, and credit policies, also scored high. Just about half of participants mentioned that characteristic as one enjoyed by the store they felt was the best in town.

"We invited a credit program with local consumer finance companies for all of our stores about a year and a half ago," said Craig Rastello, director of planning for Homecrafters Warehouse, Birmingham, Ala., in commenting on the results of the survey. "We also have the usual MasterCard and Visa capabilities."

Other attractions cited by about half of participating consumers as being characteristic of "the best store in town" were adjacencies designed so that it was easy to locate desired merchandise, and the availability of a broad choice of brands.

More than 2 out of 5 participants in the survey cited additional characteristics common to the store they shopped most often. These were skilled assistance on the part of sales help and the quality of the merchandise sold.

A spokesman for Leo J. Shapiro noted that the exact nature of "the best store in town" was determined by the participating consumers' "own subjective definition."



**Out of site.
Out of mind.**

You can forget constant comebacks when you go with Gusdorf.

Because Gusdorf goes home to stay.

Thanks to the kind of features, fit and finish you won't find in any other K.D. home electronics furniture line. All at a price so competitive you can't afford to settle for anything less.

Before you make your next buy, ask us. For TV. For stereo. For VCR. For microwave. For complete home entertainment centers. It all goes together and stays together with Gusdorf. Call our Customer Service Department now at 1-800-325-3622. Gusdorf Corporation. 11440 Lackland Rd., St. Louis, MO 63146.

GUSDORF.

Phoenix arises as home center battleground

Home Depot increases market penetration in Phoenix

***NHCN** compared this year's Phoenix study to the one conducted in 1984, and found that nearly two-thirds of those shoppers who spent $100 or more on home improvement items had visited a Home Depot in the past year, more than half again the 41% who said they had been in the stores in the 1984 study.*

Phoenix customers enthusiastically support home centers, as evinced by the increases in the number of consumers to have visited Handyman, O'Malleys and Payless Cashways. Only Angel's, with 11 stores here, appeared to have experienced some loss of market share, as the number of consumers who said its stores were close to their homes declined.

	Store Coverage "Store Near Me"		Customer Base "Visited Past Year"		Frequency "Mean Visits Past Year"	
All Households	1984 100%	1985 100%	1984 100%	1985 100%	1984 100%	1985 100%
Angel's	$\boxed{82}$	$\boxed{76}$	$\boxed{75}$	$\boxed{75}$	$\boxed{10.9}$	7.3
Handyman	58	52	45	48	5.7	7.4
Home Depot	49	59	41	63	7.4	$\boxed{9.9}$
O'Malley	65	67	57	61	6.6	6.2
Payless	44	50	40	45	6.6	7.9

Source: Leo J. Shapiro & Assoc. for *National Home Center News* ©1985

PHOENIX — People here can still recall, with some amusement, a time not too long ago when this market was joked of as being 75 shopping malls in search of a city.

When "Phoenix" was invoked in other parts of the country, retirement villages, buttes, hot weather and clear sinuses were likely to spring to mind. The market had little identity of its own, being only an hour's plane ride from Los Angeles.

In recent years, though, Phoenix has shaken off its anonymity and arisen as one of the Sunbelt's major growth areas.

Its housing market is booming and shows no signs of tapering off. Its population of 1.7 million ranks 25th nationally and is expected to grow 3% annually to two million by 1990.

Last year, Phoenix led the nation in creating new jobs, increasing its total employment 9.6%, 11% in the inner city. If projections hold true, the Phoenix market could add another 90,000 jobs this year, a 7.5% gain.

Phoenix is the headquarters city of Southwest Forest Products, Ramada Inn, Greyhound Bus and Del Webb Industries, and the continuing strengths of its manufacturing, agricultural, tourist and defense-related businesses have contributed to keeping its unemployment down to 4.6% in March, the latest reported month, compared to 5.9% for Arizona and 7.3% nationwide.

The job market is also being augmented by the growth of the area's high-tech industry, into which private and public funds are being pumped to create a new image of the market. "Most people here are excited about our future economic expansion, and we definitely are a market in transition," said Steve Paquette, executive director for Phoenix's Metro Group, part of its Chamber of Commerce.

Where people and jobs migrate, home centers are sure to follow. Over the last 18 months, Phoenix has emerged as one of the home improvement industry's "hot" properties, with several large chains fighting for a bigger share of the retail lumber, building materials and hardware market that is estimated to total $624 million in 1985, 19th highest in the country, according to data from *Editor & Publisher.*

During this period, the retail landscape of this market has become cluttered, with Home Depot moving in with four huge warehouse units, and Payless Cashways has added two new stores to the three it already operated here.

In reaction to the competition, Angel's has recently begun remodeling all 11 of its Phoenix units to include a mixture of traditional and warehouse fixturing. Handyman, with five stores here, has retrofitted its Camelback Road unit to match the warehouse-style prototype it developed earlier this year.

O'Malley's Building Materials, which has been based in Phoenix since 1908, has closed two stores over the past six months, leaving the chain with seven units in the market. Foxworth-Galbraith, with two local units, and the independent Ray Lumber are both planning to counter the retail competition by concentrating more on their contractor businesses.

"The city is just saturated with home centers," exclaimed Steve Elliott, O'Malleys' general merchandise manager. "Everyone here is vying for market share, and judging by the amount of business all of us seem to be getting, it appears customers are responding to our advertising and promotions."

In fact, Phoenix consumers are very enthusiastic patrons of home centers, choosing these type outlets over other retailers selling home improvement fare for their convenient locations, lower prices and variety of products.

A newly published Consumer Attitude Study of this and six other markets found that of the Phoenix shoppers polled who said they spent at least $40 on repair and remodeling products over the previous 12 months, 94% had shopped in a home center. More than three quarters—77.5%—claimed they went to a home center "most often" for home improvement merchandise.

The study, conducted for *National Home Center News* by the Chicago research firm, Leo J. Shapiro & Assoc., showed that by a wide margin, consumers look to home centers for such items as bath products, insulation, doors and windows, electricals, plumbing and lighting. These stores also showed remarkable appeal to consumers for power and hand tools, security hardware and paint.

Surprisingly, department stores such as Sears and discounters such as K mart appear to be capturing a very small percentage of the Phoenix market in these product categories, unlike in other areas of the country.

The primary criterion shoppers use to determine where they shop in Phoenix, according to the survey, is a store's location. Over half of those consumers who "most often" shopped a home center here did so for its location. When these datum were broken down by chain, 76% of those who preferred O'Malleys, for instance, selected its stores for their location; 63% of Angel's shoppers cited location as their main reason for shopping that chain.

"Location is something that is even more important than we sometimes credit it with," noted Ken Schoen, Home Depot's divisional manager here. "Phoenix is a very difficult market to get around in."

Elliott of O'Malleys added that to travel from his home to nearby Scottsdale "can become a 17-mile drive, because there is no direct highway route. The road system here is the pits, and the city is broken up by mountains."

Many Sunbelt cities have encountered transportation difficulties, but it appears Phoenix is attempting to nip it in the bud. Paquette said that on Oct. 15, residents will vote on a referendum which, if passed, will raise Phoenix's sale tax half a cent for a $5.8 billion, 20-year freeway improvement program to add 170 miles, include a loop around the city, to the system.

But location is but one of the reasons Phoenix shoppers look to home centers for home improvement products. According to the survey, price and product variety ran neck and neck as reasons for Phoenix consumers to "most often" choose one home center over another.

In these two categories, The Home Depot scored higher than other chains in Phoenix for customer preference. "Our stores offer the kind of in-depth selection that simply wasn't available here before," said Schoen.

It appears that this product selection also increases shopping frequency at the chain. Customers who shopped Home Depot most often said they visited the store an average of 9.8 times over the past year, and nearly two-thirds have been in one of the units in the month previous to their being questioned.

This compares with the 7.8 annual visits made by regular shoppers of Payless Cashways; 7.5 visits for Angel's; 7.4 for Handyman; 6.1 for O'Malleys, and 4.8 visits for Foxworth-Galbraith.

(Continued on page 46)

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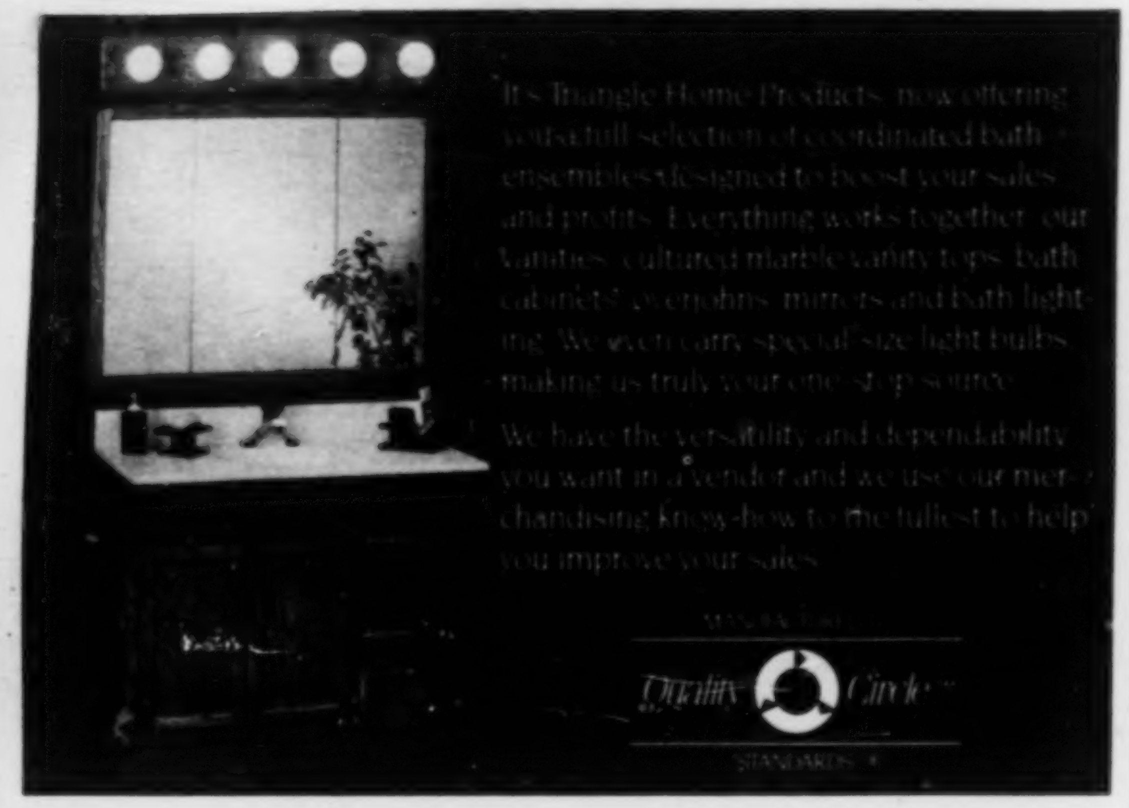

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Phoenix DIYers will do more, spend less

"Looking Back . . ."	1984	1985
Total Home Improvement Purchases Past Year (Mean $)	$2,349	$2,193
% Households-Completed Major Remodeling	38%	46%
. . . Mean Expenditure	$4,264	$3,029

Source: Leo J. Shapiro & Assoc. for *National Home Center News* ©1985

More Phoenix consumers will engage in major home remodeling projects this year, but are likely to spend considerably less for the job.

Studies of this market conducted for NHCN *in 1984 and 1985 show that nearly half of all consumers who will spend $100 or more on home improvement merchandise this year plan to complete a home remodeling project in 1985, compared to less than two-fifths of the consumers polled in 1984.*

However, as the chart indicates, the amount that will be spent on total home improvement purchases this year, and the mean expenditures for major remodeling are less than what they were in 1984. Major remodeling expenditures this year are expected to fall off nearly 30% from the previous 12-month period to $3,029.

Phoenix market arises, becomes hot home center battleground

(Continued from page 45)

Other data shows this shopping frequency has translated into increased market share for Home Depot and Payless over the past year, and some slippage for Angel's.

Since its initial ad campaign in the winter of 1983-84, Home Depot has been able to sustain its low-price iamge with Phoenix customers, who are spending a mean of $75.60 per visit at its stores, compared to $72.10 at O'Malleys, $60.50 at Payless, $41.20 at F-G, $36 at Handyman and $33.50 at Angel's.

Competitors in the market, seeing Home Depot's success, have sought to counter its impact by stepping up their own promotional efforts. Industry officials here say Payless and Angel's have been particularly active on television this past year, despite evidence from the *NHCN* study showing that only one-third of the consumers polled looked to TV for information on prices and sales items.

These consumers prefer to turn to newspaper ads once or twice a month and, to a lesser degree, direct mail pieces.

But whatever medium they choose to send out their message, home center retailers here have been banging the price drum.

"If you look at the study's numbers, you'll see that Handyman is the only chain to have gained market share last year without adding new stores here," said Harvey Rosen, the president of the San Diego chain. "Our pricing policy had a lot to do with that." (Handyman, in many of its markets, has been offering 20% off the suggested list price of certain items, and 5% off virtually all products sold in the store.)

Dealers here are reluctant to connect their price cuts and aggressive promotions to Home Depot's entry into the market. Elliott of O'Malleys admits the chain's margins have suffered since Home Depot came to Phoenix, "but we had adjusted our prices before they were even here. I'll admit Home Depot might have been the catalyst, but not the direct cause for our actions."

O'Malleys, which consumers in the study said they prefer to shop for its locations, sales help, product quality and credit programs, is currently taking a "closer look," said Elliott, at its entire advertising and promotional program.

However, Home Depot has quite obviously changed the dynamics of this market, as Payless' chairman David Stanley has conceded in recent talks with security analysts, and has caused some dealers here to rethink their businesses.

In addition, the Atlanta-based chain has made everyone more price-aggressive, which in turn has presented a new batch of problems for dealers.

For example, Foxworth-Galbraith, the Dallas chain with two stores in this market, has decided to take approximately 100 items "with customer appeal" and sell them "at everyday low cash and carry prices," said the chain's vp-western division, H. S. Galbraith.

"We're not looking to compete directly with Home Depot or any of the retail outlets, but we do have to stay competitive here," he said. Galbraith added that this new pricing policy has upset some of F-G's builder customers "who complain occasionally about paying more than retail consumers for some items.

"But," he continued, "we're looking to increase our retail business, and, given the market we're in, this is the best way we know how."

The independent Ray Lumber, which is right across the street from a Home Depot, is taking a more dramatic route to stay afloat.

"I don't think we can compete on price with any of these dealers anymore," said Carl McElrath, Ray's controller.

Consequently, this store, which last year got 85% of its $2.5 million in sales from contractors, has concentrated even further on catering to contractors, who have been doing land office business in this market over the past three years.

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Phoenix homeowners trading up not adding on

More Phoenix shoppers decide to improve their homes

"Chances of Remodeling in the Coming 12 Months?"	1984	1985
"Definitely"	22%	37%
"Maybe"	16%	22%
"Definitely Not"	62%	41%
"Will Likely Spend . . . ($Mean)	$3,113	$2,579

Source: Leo J. Shapiro & Assoc. for *National Home Center News* ©1985

A higher percentage of consumers "definitely" plan to remodel their homes this year than last, according to a comparison of two studies of the Phoenix market conducted for NHCN *in 1984 and 1985.*

More than two-thirds more consumers who will spend at least $100 on home improvement items this year said they would "definitely" remodel their homes than the 22% making the commitment in 1984. Those consumers who said they "maybe" would do a home improvement project was also higher this year than last.

PHOENIX — The housing boom here has had the unusual effect of limiting home centers' abilities to market bigger-ticket home improvement projects over the past few years. Howeowners seemed to be trading up rather than adding on.

But as housing starts begin to level off, as they have in recent months, Phoenix has emerged as the No. 1 market among seven recently surveyed by *NHCN* for potential home remodeling activity. While there should be more customers, on average they are expected to spend less this year than last year.

Consumers here were polled as part of a comprehensive study, conducted by the Chicago research firm Leo J. Shapiro & Assoc., that evaluated the shopping patterns and attitudes of 1,858 consumers in Houston, San Bernardino, Calif., Long Island, Columbus, Ohio, Virginia Beach, Va., Chicago and Phoenix.

Of the 253 consumers who spend at least $40 on their homes in the previous 12 months in Phoenix, nearly three-fifths said they had not engaged in any home improvement project, such as remodeling, renovating or adding onto their homes.

Home center executives here point to the area's strong housing construction industry as the culprit behind at least some of this lack of DIY activity. Even though single-family unit starts were off slightly between 1983 and 1984, overall housing construction during this period rose 27.2% to 58,000 units.

"The new home market is very aggressive right now, which has depressed the sale of existing homes," said Steve Elliott, the general merchandise manager for O'Malleys Building Materials, with seven units in Phoenix. He indicated that it has become extremely difficult for homeowners to sell homes for appraised value here. "What's the sense of renovating if it's not going to add to the value of the home?" he asked.

The Phoenix Chamber of Commerce said the median price for an existing single-family home was $76,700, a bit higher than National Assn. of Realtor estimates placing the price in the first quarter of 1985 at $74,100, compared to $74,700 for all of 1984.

Of course, those companies catering to the homebuilding business have few complaints about this situation. "We're shipping between 25 to 30 houses worth of materials [for new homes] a day from our yard, and we're only one store," said Carl McElrath, controller for the independent Ray Lumber, which gets 85% of its sales from contractors. Elliott added that O'Malleys' business this year has been strong "because construction has been strong."

Phoenix market

Company	No. of stores
Angel's	11
O'Malleys Building Materials	7
Handyman	5
Payless Cashways	5
The Home Depot	4
Foxworth-Galbraith	2
Ray Lumber	1

Source: *NHCN* research

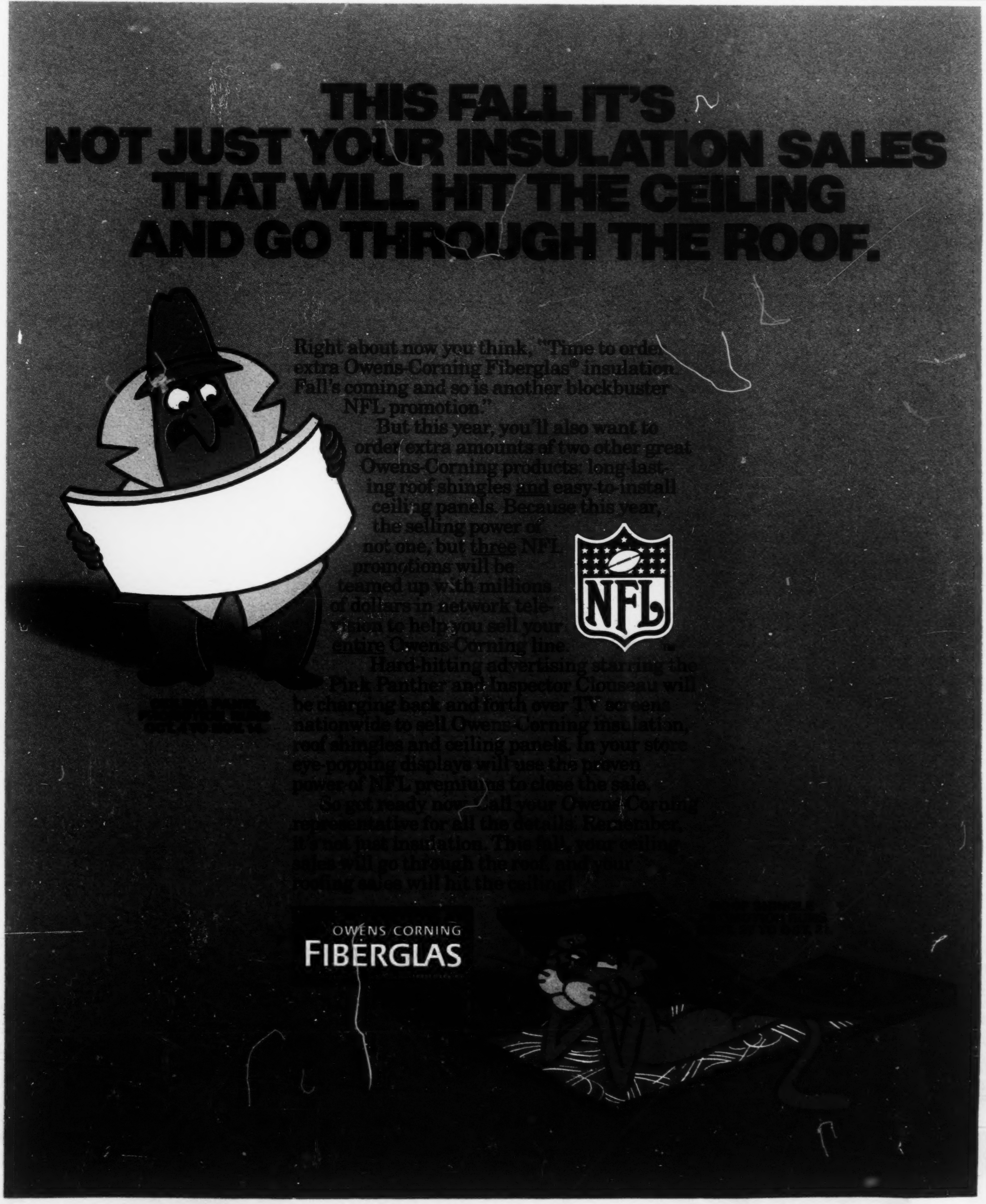
As to why there hasn't been more DIY remodeling activity in the market, H. S. Galbraith, western division vp for Foxworth-Galbraith, which has two stores in the market, thought Phoenix was going through a phase of its development.

"When an area builds up like this, you always get a four-to-five year lag before remodeling is needed," he explained. "Right now, it looks like we're approaching the end of that cycle."

Not all retailers agreed with these explanations of why more consumers had desisted from conducting DIY projects. "The way new homes are built these days, they are little more than shells, and there's lots of evidence proving that homeowners spend a considerable amount of money on new homes in the first three years of occupancy," said Harvey Rosen, the president of Handyman, which has five units in Phoenix.

Just how much the housing boom has actually affected sale of merchandise for home re-

(Continued on page 51)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So get ready now. Call your Owens-Corning representative for all the details. Remember, it's not just insulation. This fall, your ceiling sales will go through the roof, and your roofing sales will hit the ceiling!

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Phoenix homeowners trading up not adding on

(Continued from page 48)

modeling projects in Phoenix can't be scientifically ascertained. More than two-fifths of the consumers polled here who spent at least $40 on their homes said they did some kind of remodeling during the past 12 months.

A good portion of this work revolved around painting, wallpapering and laying carpet, with other DIY jobs receiving more modest response levels from consumers polled. The mean expenditure by those who conducted a DIY project in the past year totaled $1,521, which rose to $3,029 when consumers who spend more than $10,000 are included in the calculation.

Home centers which consumers identified as the ones they shopped most frequently got a mean of $651 of that total ($525 when the $10,000-plus group is omitted), according to the study.

More encouraging news for retailers is that about a third of Phoenix shoppers said they would "definitely" engage in a home remodeling project over the next year, with another 21.7% saying "maybe." This percentage of "definites" was higher than any received in the study's other six markets.

Nearly one fifth of these consumers in Phoenix planning remodeling identified painting as the job they would do; 10% said it would be bath remodeling, and another 10% said "interior" work.

Slightly less than 20% thought they would spend between $100 and $299, while slightly more than 20% would spend $1,000 to $2,999.

Consumers who definitely plan to undertake a DIY project over the next 12 months said they would spend what the study calculated to be a mean of $2,473, or 18% less than the previous year. When the $10,000-plus group is taken out of the formula, mean expenditures over the next year would equal $1,014, or 33% less than what a consumer spent for home improvement a year ago.

Retailers were hard-pressed to explain this, except to say that the market, with so much more competition, was becoming diffused, which still would not account for the drop-off in total spending.

Whether the projected decline in housing starts this year to 47,000 units, or the anticipated increase of single-family homes in Phoenix to 22,000, plays a role in the market's projected increased DIY activity is anyone's guess.

But one dealer thought that Phoenix was becoming a much more stable community in terms of home buying and selling, which he thought bodes well for home centers, where 94% of the survey's respondents in Phoenix said they had shopped over the previous 12 months.

"It seems that there's a lot less transience in Phoenix, and people here are more willing to stay permanently and make more of an investment in their property," said Ken Schoen, division manager for Home Depot here. "That's got to be good for our sales."

With housing starts beginning to level off in Phoenix, this market has emerged as the No. 1 market among seven surveyed by NHCN *for potential home remodeling activity.*

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Choosing between home improvement stores

Why customers shop at a particular store for home improvement items

Reasons	Home center total	Total all stores in 7 markets	Chicago (Rank in parentheses)	Columbus (Rank in parentheses)	Long Island (Rank in parentheses)	Houston (Rank in parentheses)	Phoenix (Rank in parentheses)	San Bernardino (Rank in parentheses)	Virginia Beach (Rank in parentheses)
Location	50%	48.1%	50.5% (1)	53.2% (1)	42.6% (2)	52.7% (1)	50.2% (1)	45.2% (1)	41.7% (1)
Prices	45	36.7	27.4 (3)	46.8 (2)	24.2 (3)	39.1 (2)	44.3 (2-3)	36.2 (3)	36.7 (2)
Variety	44	40.2	41.3 (2)	39.4 (3)	46.5 (1)	35.3 (3)	44.3 (2-3)	38.6 (2)	35.2 (3)
Knowledgeable salesmen	11	11.1	11.1 (5)	16.7 (4)	7.9 (5)	5.3 (5)	11.9 (4)	11.9 (5-6)	13.1 (4)
Sales/promos	8	7.2	6.3 (6)	5.9 (6)	5.9 (6)	3.4 (6)	8.3 (5)	11.9 (5-6)	8.0 (6)
Quality	8	11.4	12.0 (4)	13.8 (5)	11.4 (4)	13.5 (4)	7.1 (6)	12.9 (4)	10.1 (5)

Source: Leo J. Shapiro & Assoc. for *National Home Center News* © 1985

Comparison of the position of stores in each of the seven markets studied shows that choice of a store for home improvement supplies is most often based on location in all the markets except Long Island, where product variety is the No. 1 factor. Location, prices and variety are the three reasons that affect most decisions on where to shop.

Location, prices variety attract DIY customers

(Continued from page 24)

the No. 1 attraction, while location came in second and prices were third. This unusual result may result from the presence of new stores in the area, and the willingness of the consumer to travel a longer distance to shop them.

The dual survey findings that consumers are attracted to stores for different reasons in different markets, and that consumers are always looking for new reasons to shop at different stores (see related story), has provided home centers with an opportunity to carve out individual niches in a market.

That some home centers were successful in presenting an image that differed from those of others came into evidence as the survey clocked consumer attitudes in seven markets.

For example, in Virginia Beach, consumers who shopped most often at Hechinger were asked why. In addition to other reasons, some 10% of such shoppers said one attraction was a good store layout that made it easy to shop. Participants who shopped most often at home centers, in general, in that market gave that characteristic as a reason only 5% of the time.

On the other hand, Mr. HOW in Virginia Beach, had clearly impressed its own shoppers with its knowledgeable sales help. Of those shoppers who went most often to a Mr. HOW, some 25% cited helpful salesmen as one of the reasons. That attraction was cited by only 15% of shoppers who went most often to home centers generally in that market.

Television ads not considered very helpful

(Continued from page 28)

sales, money isn't the main reason for keeping TV advertising to a minimum, commented Ralph Buchan, advertising vp. Some markets are not served by local television stations and TV advertising would not be cost effecient, he explained.

Buchan said both broadcast media—TV and radio combined—comprise only 15% of his total ad budget which historically is about 4% of the company's annual retail sales receipts.

Jud Walford, executive vp at Builders Square, said the San Antonio-based retailer uses TV but sparingly and not in every market. It does not use it in Cleveland where the company only has one store. "It's difficult to give consumers a good representation of what's on sale on TV," he commented.

But in Detroit, where Builders Square is expanding rapidly, the company is using cable TV as a vehicle for its ads. It sponsors Detroit Tigers baseball games.

Orchard Supply is one retailer that uses television in equal proportion to its newspaper and mail ads. DiRocco said, "You don't pick a medium, you pick an audience."

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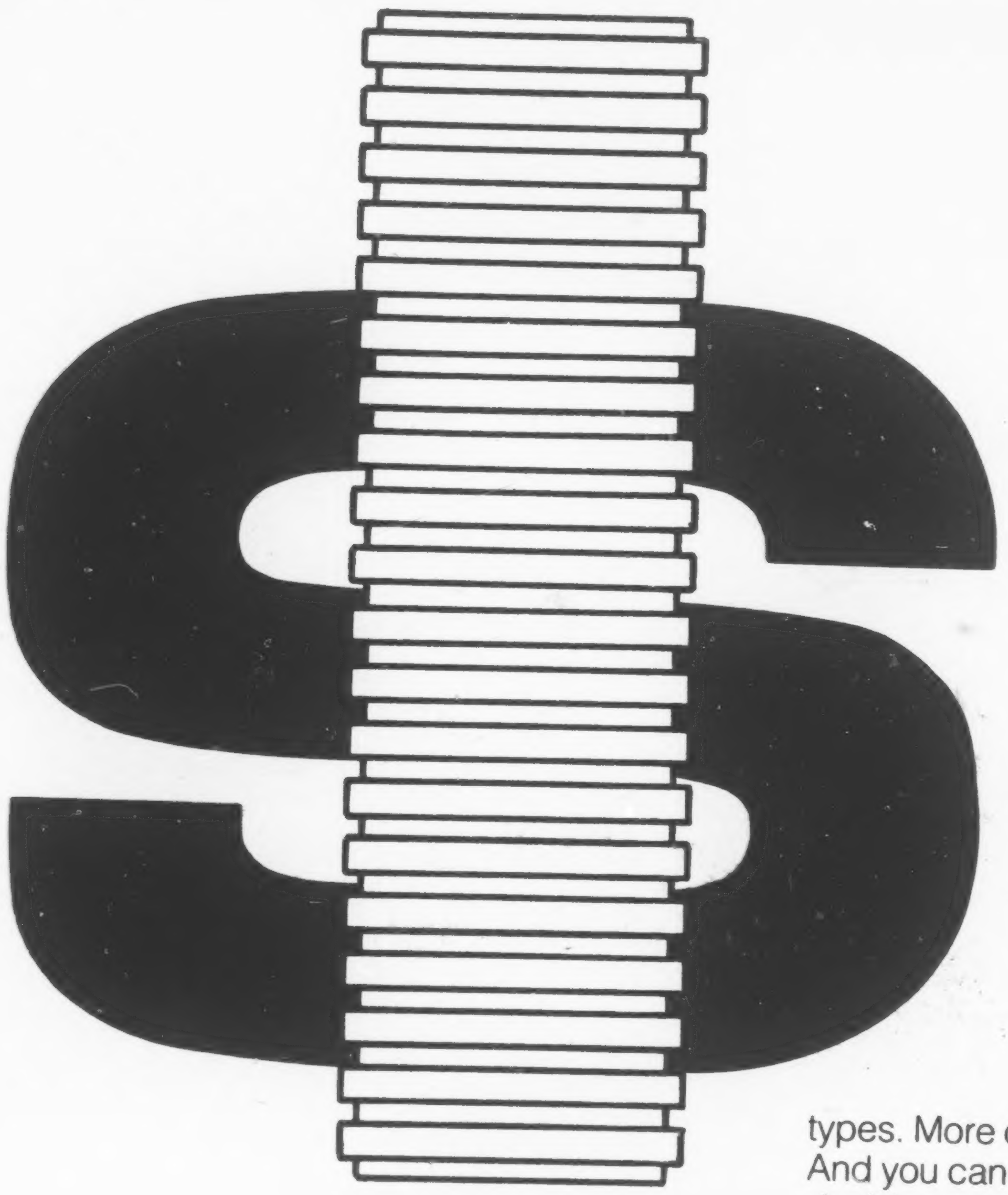

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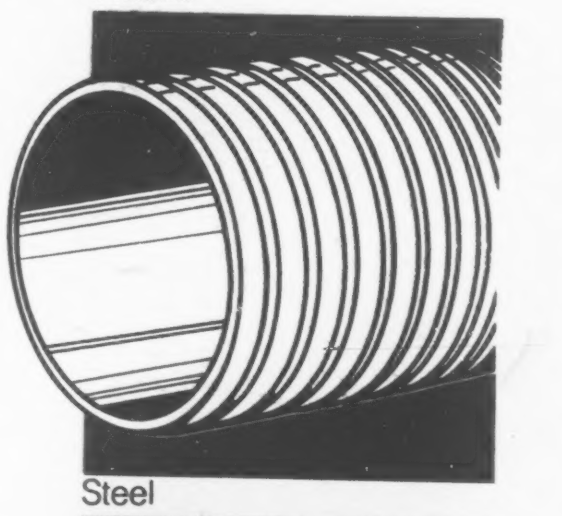

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